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AGENDA BOARD LEGISLATIVE COMMITTEE

**Friday, January 21, 2011
 12:45 p.m., Peralta Oaks Board Room**

The following agenda items are listed for Committee consideration. In accordance with the Board Operating Guidelines, no official action of the Board will be taken at this meeting; rather, the Committee's purpose shall be to review the listed items and to consider developing recommendations to the Board of Directors.

AGENDA

<u>STATUS</u>	<u>TIME</u>	<u>ITEM</u>	<u>STAFF</u>
	12:45 p.m.	1. STATE LEGISLATION / ISSUES	
		A. NEW	Doyle/Pfuehler
(I)		a. Governor Brown's Budget Proposal	
(I)		b. Administration and Committee Appointments	
(R)		c. ACA 4 (Blumenfield) Local Government Financing: Voter Approval	
		B. UPDATES	Doyle/Pfuehler
(I)		a. State Parks Funding	
(I)		b. Reform Efforts	
		2. FEDERAL LEGISLATION / ISSUES	Pfuehler/Doyle
		A. NEW	
(I)		a. Federal Budget Cuts – Rescissions	
(I)		b. Committee Appointments	
		B. UPDATES	Pfuehler/Doyle
(I)		a. TIGER Grant Process Update	
(I)		b. San Francisco Bay Restoration Legislation	
		3. PUBLIC COMMENTS	
		4. CORRESPONDENCE & ARTICLES	

(R) Recommendation for Future Board Consideration
 (I) Information
 (D) Discussion

Legislative Committee Members:
 Ted Radke, Chair, Doug Siden, Ayn Wieskamp, Beverly Lane,
 Alternate
 Erich Pfuehler, Staff Coordinator

Future 2011 Meetings:	April 15, 2011	July 15, 2011	October 21, 2011
	February 18, 2011	August 19, 2011	November 18, 2011
	March 11, 2011	September 16, 2011	December 16, 2011

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E & E News

3. APPROPRIATIONS: House chairman seen as ally of public lands

01/18/2011

Phil Taylor, E&E reporter

NARUC Winter 2010 Meetings

The new chairman of the House subcommittee that funds the Interior Department, Forest Service and U.S. EPA said Western lands should not be considered low-hanging fruit as Republicans look for ways to slash tens of billions of dollars in federal spending.

Idaho Republican Rep. Mike Simpson said he is quick to remind his Eastern state colleagues just how much land the federal government owns in his home state.

"If you're dealing with congressmen in the East, they're not as concerned about forest fire fighting by the Forest Service or with grazing on public lands," said the seven-term congressman whose state is nearly two-thirds owned by the federal government. "To the extent that they're concentrated in the West, they could be considered low hanging fruit. We in the West don't think they are."

While Interior and the Forest Service will experience budget cuts like all other federal agencies, Simpson has said he plans to primarily target EPA, an agency he calls the "scariest" in the federal government (E&ENews PM, Jan. 7).

Simpson gave few details on how he plans to address Interior and Forest Service's combined roughly \$17 billion budget, but he said he hoped to maintain funding for the Bureau of Land Management's grazing program as well as tribal health clinics and justice centers managed by the Bureau of Indian Affairs.

Simpson last July strongly objected to appropriations language that would have allowed the permanent, voluntary termination of grazing permits in the West, arguing that the measure would negatively affect Western communities and "reignite a divisive war on the West."

Simpson last week said he was also interested in finding ways to improve the effectiveness of the Forest Service's wildfire program, which now consumes roughly half of the agency's budget and continues to rise.

Simpson recalled an experience a decade ago when he and a staff member slept in pup tents and aided forest firefighters as they battled the Clear Creek wildfire that burned 200,000 acres of the Salmon-Challis National Forest.

He described a helicopter flight he took over the central Idaho forest where he observed a previously burned area tempering the flames.

"We got to this area of controlled burn and it was an island of green," he said during an interview from his Capitol Hill office. "Should we be doing more fuels management in terms of removing dead trees, controlled burns, those types of things?"

The Obama administration last year proposed a new plan to split up fire suppression funding into three separate accounts, a plan that is intended to increase transparency but that drew initial skepticism from the chairman of the Senate's appropriations subcommittee (E&E Daily, March 18, 2010).

The Forest Service's proposed 2011 budget included \$1.2 billion for firefighting, based on the 10-year average cost of wildfire suppression. That includes \$595 million in a base account, \$291 million in a FLAME fund and \$282 million in a presidential contingency reserve fund.

Those levels of wildfire spending are likely safe under House Republicans regardless of efforts to slash spending, said Andy Stahl, executive director for Forest Service Employees for Environmental Ethics.

"It's a little hard to imagine that this or any Congress is going to cut wildfire funding, and shout that we have balanced the budget on the backs of firefighters," Stahl said.

Obama's fiscal 2011 budget also for the first time included a proposal to combine what have been three separate habitat, watershed and forest product programs into one "integrated resource restoration" budget line that would receive \$694 million.

The proposal drew concerns from the chairman of the House subcommittee at the time, Norm Dicks (D-Wash.), who called it a "big funding bucket with less accountability."

Similar concerns over the agency's "integrated resource restoration" are likely to be raised by appropriators on both sides of the aisle when Congress next debates the budget, Stahl said.

"I would expect both sides of the aisle in that subcommittee to ask, 'What are we going to get with this pot of money?'" Stahl said. "The question will be 'Chief, how many board feet will we get from this money?'"

Forest Service Chief Tom Tidwell told House appropriators last year that the agency chose to combine the three programs because they share the same objective and that the agency plans to restore critical areas and protect wildlife and fish while offering at least 2.4 billion board feet of timber.

Stahl suggested it would be nice to know how much money will be used to remove culverts that block fish or restore rangelands choked by noxious weeds to sage brush for the sage grouse, a species deserving of Endangered Species Act protections, according to the Fish and Wildlife Service.

Alan Rowsome, director of conservation funding at the Wilderness Society, said land management agency budgets are generally too small to target if lawmakers hope to make meaningful reductions in spending.

"We're not talking about huge accounts that are going to really move the needle," Rowsome said. "It needs to be said that economic jobs and growth flow pretty strongly out of those departments and out of the programs in those agencies."

NPS, conservation funding

Simpson will also be in charge of setting funding for Interior's National Park Service, a \$2.75 billion agency that manages some 400 parks that serve 275 million visitors annually.

Parks advocates have warned that the agency is already beset by a \$600 million operations shortfall, in addition to \$9 billion in deferred maintenance and infrastructure.

The operations budget will be crucial as the agency hires its seasonal employees, which provide a range of important visitors services including safety, recreational advice, maintenance, invasive species monitoring and control, and wildfire danger assessments, said John Garder, budget and appropriations legislative representative for the National Parks Conservation Association.

"We recognize these are lean times obviously," Garder said. "We're not going to get everything we want."

But Garder argued that national parks are a proven economic generator and that major cuts to the agency would counteract the Obama administration's hope of expanding recreational opportunities on public lands.

Conservation groups will also be lobbying hard to preserve or increase funding for the Land and Water Conservation Fund, which public lands agencies use to acquire and conserve new federal lands.

The program is authorized at \$900 million, a ceiling Congress has met only twice since the fund was created in the 1960s.

The Obama administration requested an additional \$106 million for LWCF in its fiscal 2011 request, bringing total LWCF funding between the Interior and Agriculture departments to nearly \$620 million. The administration has said it plans to fully fund the program by 2014.

The plan drew opposition last year from Sen. Lisa Murkowski (R-Alaska) who argued Interior was in no position to add more lands to the federal estate. Democratic leaders in the House Interior Appropriations Subcommittee honored part of requested increase but agreed that the federal government was not ready to take on more land.

While Simpson did not indicate how he would treat LWCS -- nor has the Obama administration indicated how much it would request for the program in 2012 -- Rowsome said Simpson cares a lot about the program and that it has been used extensively in Idaho.

"LWCF in a way is on a different plane because it has its own dedicated funding source," Rowsome said, referring to the billions of dollars in revenues generated by offshore oil and gas development used to support LWCF. "From that point, I think we have a good base to begin discussions," regardless of which party controls Congress.

Stahl, of FSEEE, had a less optimistic view. "The Republican House, probably as an ideological matter, doesn't like taxpayer dollars to be enlarging the federal estate," he said.

E & E News

REGULATIONS: Obama issues executive order to cut red tape

01/18/2011

John McArdle and Gabriel Nelson, E&E reporters

In his most forceful reply yet to industry groups and Republicans who have accused the administration of slowing the economic recovery by tying up businesses in red tape, President Obama has ordered a top-to-bottom review of federal regulations to get rid of rules that are outdated and harmful to the economy, the White House announced this morning.

Obama signed an executive order today that would step up oversight of the regulations issued by government agencies such as U.S. EPA and the Interior Department.

Seen as the president's latest effort to mend ties with businesses, it was first outlined by the president in an op-ed this morning in *The Wall Street Journal*.

Writing for an editorial page that has repeatedly slammed the administration's approach to regulation, Obama acknowledged that there are plenty of "absurd and unnecessary paperwork requirements that waste time and money." He cited EPA's recent decision to loosen rules for saccharin -- an artificial sweetener that is considered safe by the Food and Drug Administration and is widely used in chewing gum and diet soft drinks.

"If it goes in your coffee, it is not hazardous waste," Obama wrote.

"We won't shy away from addressing obvious gaps," he added, "but we are also making it our mission to root out regulations that conflict, that are not worth the cost, or that are just plain dumb."

Along with requiring agencies to take stock of existing regulations, the executive order would lay out principles for future rulemakings. All agencies would need to consider ways to reduce burdens for U.S. businesses when they develop rules, allow more public participation and better follow the scientific integrity guidelines that were released last month after a lengthy delay.

"The administration believes firmly that regulations can both be more effective and consistent with American competitiveness," a senior White House official said this morning. "It's not a question of choosing between meeting our responsibilities to protect the public health and the environment or growing the economy and creating jobs. It's really a question of how to get the balance so we can accomplish both goals most effectively."

The initiative could signal a desire at the White House to defuse some of the efforts on Capitol Hill to rein in regulations. Republicans and a few moderate Democrats have put forward a slew of bills that would put new checks on agency rulemaking (E&ENews PM, Jan. 10).

Sen. Mark Warner (D-Va.), who recently called for a "pay as you go" approach to outdated government regulations, offered support today for the president's strategy. Any company that does not review its

operations or improve its procedures will inevitably go out of business, and the government should be held to the same sort of standard, he said in a statement.

"Efforts to apply more common sense to our regulatory approach can go a long way toward addressing the uncertainty that has kept the U.S. business community from participating more fully in our nation's economic recovery," Warner said.

Obama has recently reached out to businesses, meeting with corporate CEOs last month to ask how the government could help them create jobs and rebuild the economy. Industry groups were pleased by today's announcement.

"Manufacturers have been saying for some time that overregulation is harming job creation and stifling economic growth," said Aric Newhouse, senior vice president of the National Association of Manufacturers, in a statement today. "This is an opportunity for the president to demonstrate results by eliminating unnecessary regulations already in the pipeline or delaying poorly thought-out proposals that are costing jobs."

Seen as an effort to mend ties with businesses, the new executive order did not sit well with many on the left, including some environmental and public health groups. They described the initiative as a rightward shift as President Obama gears up for his own re-election campaign.

Rena Steinzor, the president of the Center for Progressive Reform, said the executive order reflects an incorrect analysis and diagnosis by the White House. Current environmental problems such as the Gulf of Mexico oil spill, as well as economic problems such as the collapse of the housing market, could have been avoided by better rules, she said.

She also criticized the White House for putting new burdens on agencies at a time when they are already dealing with serious budget cuts.

"It was deregulation that caused the economy to crash and everyone to lose their jobs -- not regulation," said Steinzor, an environmental law professor at the University of Maryland.

Scott Slesinger, legislative director at the Natural Resources Defense Council, agreed that a "balanced" approach is necessary -- as long as it does not put "short-term corporate profits above the public health."

With environmentalists preparing to battle Republicans in Congress over EPA regulations, he noted, Obama's op-ed cited the Clean Air Act as a prime example of a law that is worth the cost to society.

That type of calculus was praised by cost-benefit analysis supporters such as Richard Revesz, dean of New York University's law school.

"The environment and the economy are not at odds," Revesz said today. "On the contrary, the success of each one is linked to the well-being of the other. By making this case, the president pointed to a better way of safeguarding both."

Contra Costa Times

In bow to political realities, Brown avoids big guns

Governor sidesteps taxes that would bring powerful opposition

By Steven Harmon

Posted: 01/16/2011 09:46:59 PM PST

Updated: 01/17/2011 09:56:41 AM PST

SACRAMENTO -- Some big targets were left largely untouched in Gov. Jerry Brown's call for shared sacrifice in his proposed budget.

In his plan to raise \$12 billion in taxes, Brown avoided a source of revenue Democrats have been going after for years: oil severance fees. Extra taxes on alcohol, tobacco and the wealthy, also targets of Democrats in recent years, were also bypassed.

And, in a nod to his labor allies, Brown did little to rein in the soaring corrections budget -- a potential area of cost savings that has wide public support -- in a plan that includes sharp cuts to social services and higher education.

It was a bow to political realities, an effort that seems to keep powerful corporate forces on the sidelines and prison guard unions in his corner as Brown seeks to extend everyone else's taxes for five years.

"I think extending what is (in place) is more palatable than plowing new ground," Brown said in a brief interview after meeting last week with Senate Democrats. "The strategy is to build the widest possible coalition. Obviously, we're not ignoring all the ramifications and all the strategies."

Politically, keeping the taxes broad-based was a "smart move," said Steve Merksamer, former chief of staff for Gov. George Deukmejian. "Because the targets of tax increases will seriously oppose being the target. It was a politically well-crafted budget."

In 2006, big oil companies had spent a record \$94 million to defeat Proposition 87, which would have put California in line with all other major oil-producing states by taxing oil companies for extractions. The same year, major tobacco companies spent \$65 million to defeat Proposition 86, which would have imposed a new tobacco tax.

Democrats and labor unions, who consistently called on Brown's predecessor, Arnold Schwarzenegger, to impose a severance tax and do away with various corporate tax breaks, have remained relatively quiet on the question of how far Brown's tax plan goes as they give the new Democratic governor wide latitude in his first weeks in office.

Brown is already on tenuous grounds in seeking an extension of income, sales and auto taxes for the next five years. Republicans are vowing to block his plan from going to the ballot for a vote, and voters have consistently rejected new taxes.

But some outside groups complained that Brown is leaving at least \$1 billion on the table by forgoing an oil extraction fee.

"The only thing holding back an oil extraction tax -- perhaps the only tax that Californians could widely agree on -- is the oil lobby," said Judy Dugan, research director of California Watchdog, in a letter to Brown. "And didn't the November defeat of Proposition 23, an oil-backed proposition to curb green energy, show that Californians are willing to push back against Big Oil when they know the stakes?"

California's largest labor group, the California Labor Federation, is working closely with Brown and supports the approach he's taken so far, said spokesman Steve Smith.

But: "We want to continue to explore revenues the public has already said they're supportive of," such as oil, tobacco and alcohol, as well as scaling back other corporate tax breaks, Smith said.

"We'd like to see him take a look at some point, whether in June or not," Smith said. "That's a determination he needs to make as he builds his coalition."

Brown's budget does scale back one corporate break and ends tax breaks to businesses that benefitted from the Enterprise Zone program, which he intends to eliminate, saving the state \$343 million in 2010-11 and \$582 million in 2011-12.

Brown seeks to eliminate a tax break that took effect just this year: He wants all state companies to base their tax rates on sales -- the "single sales factor" -- rather than being able to choose from three factors such as employment, property or sales.

The change could bring in \$468 million in the current fiscal year and nearly \$1 billion in 2011-2012.

State Sen. Kevin DeLeon, D-Los Angeles, introduced a measure Friday that would scale back that corporate break.

A key component to the coalition Brown is building for a tax battle is the powerful prison guard union, which spent \$1.8 million on his behalf during the fall campaign. Critics say the proof is in Brown's corrections budget, which he kept largely intact. Even as Brown reduced expenditures by \$8.2 billion for the current year budget, he added \$395 million to corrections "to fully fund the salary and wages of authorized correctional officers, sergeants and lieutenants," according to Brown's budget summary.

The \$9.2 billion corrections budget for the coming fiscal year would remain essentially unchanged from the current year.

"I understand politically why Brown hasn't tried to undo the public employee union model he signed into law" during his first administration, said Lew Uhlers, founder and president of the United States Taxpayer Association. "But he's directly confronting the results of that in his budget decisions because of the high costs they impose on the system."

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Associated Press

Year ahead looms as toughest yet for state budgets

Jan 16, 3:00 AM EST

By JUDY LIN and SHANNON McCAFFREY

Latest Budget News

SACRAMENTO, Calif. (AP) -- If 2011 is hinting at a national recovery, there is little sign of it in statehouses across the country.

States that already have raided their reserve funds, relied on borrowing or accounting gimmicks, and imposed deep cuts on schools, parks and public transit systems no longer can protect key services in the face of another round of multibillion dollar deficits.

As governors roll out their budget proposals and legislatures convene this month, they do so amid a sputtering economic recovery and predictions of slow growth for years to come. State and local governments face lackluster revenue projections, worries from Wall Street over looming debt and the end of federal stimulus spending.

In the first weeks of 2011, Republican and Democratic governors alike have begun detailing across-the-board pain for education, health care, transportation, public safety and other programs. Some say the year of reckoning for state and local governments is at hand, with calls for structural changes that could radically shift expectations of what services government provides.

Many believe the months ahead will be the most challenging in memory, with consequences for millions who depend on government funding.

"We need to send a message to the governor: We're real, and we depend on all these services," said Sergio Garibay, a 41-year-old Southern California resident who relies on state disability payments and recently protested deep cuts to Medi-Cal programs proposed by California Gov. Jerry Brown. "There are other alternatives to the budget. Why don't we tax the rich, these corporations?"

In releasing his budget proposal, Brown told California lawmakers "the year ahead will demand courage and sacrifice" as the state faces a deficit projected to hit \$25.4 billion over the next 18 months. His proposal combines spending cuts to Medi-Cal, in-home services for the elderly and higher education with a five-year extension of income, sales and vehicle taxes.

New York Gov. Andrew Cuomo proposed eliminating 20 percent of state agencies by combining duties, such as merging the Insurance Department, Banking Department and the Consumer Protection Board into the Department of Financial Regulation. It's part of "radical reform" to pull his state out of its fiscal crisis. And Gov. Chris Christie in New Jersey skipped a \$3.1 billion payment to the state's pension system in a push to cut benefits for public workers, while proposing higher employee contributions and a boost in the retirement age from 62 to 65.

In Illinois, lawmakers voted for a dramatic 66 percent hike in personal income tax, from 3 percent to 5 percent, in a bid to resolve a \$15 billion deficit, which amounts to more than half of the state's entire general fund. The tax increase will be coupled with strict 2 percent limits on spending growth.

"It's important for their state government not to be a fiscal basket case," Gov. Pat Quinn in defending the major tax hike.

And on and on it goes:

- In oil-rich Texas, where education and social service spending is relatively low and Republican Gov. Rick Perry has railed against government spending, hard times are looming. The shortfall is projected to be between \$15 billion and \$27 billion over the coming two-year budget cycle.

- In South Carolina, outgoing Gov. Mark Sanford has proposed a spending plan that would end funding for museum and arts programs, slash college funding and give many state employees a 5 percent pay cut.

- In Georgia, deep cuts appear to await the state's popular HOPE scholarship program that provides public college tuition to students who earn good grades. Rising tuition and enrollment have outpaced the lottery revenues that fund the program and Gov. Nathan Deal has not proposed any additional state money to bail it out.

Even as tax revenue in many states shows signs of a rebound, states are expected to collect 6.5 percent less than they did in 2008, according to the National Association of State Budget Officers.

And any revenue gains could be more than offset by the expected loss of federal stimulus money. Most of the \$814 billion stimulus program was designed to help states provide essential services and give a boost to the economy, but will start to run out this summer. A new round of stimulus funding is unlikely with Republicans controlling one house of Congress. Top GOP lawmakers say they will try to provide states with relief by reducing mandated programs, not by giving them more money.

"States came into this recession with relatively large rainy day funds. Now that states have done the accounting gimmicks and the relatively easier stuff, each year gets harder and harder because those one-time things are gone," said Nicholas Johnson, director of the state fiscal project at the Center for Budget and Policy Priorities, a think tank in Washington, D.C.

Despite lower tax revenue since the recession began, the level of service expected from state and local governments remains, often creating a disconnect between public perception and the reality of the fiscal crisis confronting elected officials.

Public schools face rising enrollments, more people are seeking government health care because they have lost jobs or their employers have dropped coverage, and millions of those thrown out of work are receiving unemployment checks.

One possible solution is revising tax structures, even with an anti-tax mood persisting across much of the nation.

In Georgia, some lawmakers are considering a 4 percent state sales tax on groceries and boosting the tax on cigarettes as part of an overhaul of the state's outdated tax code. The increases would be paired with reductions in the personal and corporate income taxes.

But any proposal for tax increases will run into opposition from Republicans, who were swept into office in large numbers last fall on a message of reducing the size and reach of government.

Republicans picked up 690 state legislative seats Nov. 2 - the largest shift since 1966, according to data compiled by the national legislative group. The GOP now controls both chambers of the state legislature as well as the governorship in 21 states.

"When you've got an unemployment rate at 10 percent, I don't think that's a good time for us to tell Georgians that we need more of their money," Georgia House Speaker David Ralston said. "I'm going to resist that again this year."

As states struggle to balance their books, Wall Street is watching rising debt burdens, although analysts so far have not sounded many alarms. Federal law does not allow states to file for bankruptcy protection, but states can default on their debt if their financial condition worsens considerably.

That move is extremely rare. Arkansas was the last state to default on its debt payments, a move it took during the Great Depression. Moody's predicts that no state government will default on its debt in 2011.

Moody's Managing Director, Naomi Richman, said states generally borrow for long-term infrastructure projects. They don't usually borrow to pay debt and fund operating budgets. Those that have, including California, Illinois and Arizona, already have been penalized with low credit ratings, which increases their borrowing costs.

It's possible, however, that more cash-strapped cities and counties could seek bailouts from states, as Harrisburg sought help from the commonwealth of Pennsylvania.

"I think you're more likely to see it cascade up, rather than down," said Steve Malanga, a senior fellow at the Manhattan Institute, during a discussion about state budgets at George Mason University.

Kail Padgitt, an economist with the nonpartisan, nonprofit Tax Foundation, said the states with the greatest concerns about their fiscal health are those with costly public employee pensions that are underfunded.

Many public pension systems use overly optimistic rates of return and do not provide a true, long-term cost to taxpayers. Padgitt cited a recent study by the Pew Center on the States that found states face a \$1 trillion funding shortfall in public-sector retirement benefits, but said that likely underestimate the problem.

"The long-term outlook is quite bad," Padgitt said unless states begin to make pension reforms.

Matt Hanson, 50, a civil engineer who has worked for California's transportation department for 22 years, said he understands that public pension systems could use adjustments but he believes pensions are fundamentally sound. For example, he said he's open to contributing more to cover retiree health care costs, which have been rising.

"If there's some shared pain that has to be felt than I want it to be constructive," Hanson said. "There's a difference between going out for a run and feeling pain right after - at least you'll be in better shape in the long run, rather than hitting your hand with a hammer. Pain for pain's sake doesn't make a lot of sense."

McCaffrey reported from Atlanta. Associated Press writer Robert Jablon in Los Angeles contributed to this report.

The Sacramento Bee

Dan Walters: Even Brown's 5-year time frame for rebound may be too rosy

dwalters@sacbee.com

Published Sunday, Jan. 16, 2011

Ever since California's economy cratered, the Capitol's politicians have rationalized their corrosively expedient decisions on the state budget – refusing either to permanently raise taxes or cut spending – by hoping that economic recovery was just around the corner.

Newly inaugurated Gov. Jerry Brown is having none of it. His proposed budget assumes that California will be experiencing hard times for years to come, even though the recession officially ended in 2009.

California has lost well over a million jobs in the last few years as the unemployment rate soared to over 12 percent.

"The state is forecast to recover the nonfarm jobs lost during the recession in the third quarter of 2016," his budget says, "or approximately 87 months after the end of the recession."

As dour as that sounds, it may be more optimistic than the likely reality. California's population, and thus its potential work force, are continuing to grow. The state needs roughly 200,000 new jobs a year to soak up that work-force growth, so even were it to regain those million-plus lost jobs by 2016, it could still have a high jobless rate.

Nevertheless, Brown has opted for a five-year recovery time frame. That explains why he wants a five-year extension on about \$8 billion a year in temporary tax increases that were enacted two years ago and are now expiring.

Most of the additional revenue would, under Brown's plan, be diverted to local governments, especially counties, to finance a series of programs that the state would shift into their purview.

If, however, the "realignment" is to be permanent, as Brown envisions, how would the locals finance those programs once the five-year tax extension expired in 2016? When asked that question last week, the governor was clearly stumped, finally muttering something about the state's continuing to provide financing – on the assumption that the economy would have recovered by then and the state's tax system would be generating billions in additional revenue.

Local officials refuse to accept such a vague promise and demand ironclad guarantees of continued financing, but uncertainty clouds the longer-term economic picture.

So what, really, are California's prospects of recovery, even on a five-year time frame? Brown's forecast is more realistic than the wishful thinking that has dominated the Capitol of late but, as noted above, may still be too optimistic.

It's entirely possible that California, with its high taxes, dense regulatory underbrush, poorly performing schools, congested and crumbling highways and water supply issues, may have become noncompetitive in a global economy.

If the rest of the nation emerges strongly from recession and California is left behind, we'll know that something is more fundamentally amiss.

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SFGate.com

Can Jerry Brown get a tax increase?

Debra J. Saunders

Sunday, January 16, 2011

Can Jerry Brown do it?

When he unveiled his budget, the California governor boasted that he was delivering a spending plan without "gimmicks, tricks and unrealistic expectations."

On the one hand, Brown presented some bold changes in his spending plan by proposing a realignment of state and local government. Also, Brown has ordered some small but symbolically important cuts, such as slashing his own office's budget and halving the number of state employee cell phones.

On the other hand, it's hard to understand how Brown expects to pull off the linchpin of his spending plan - an extension of tax increases enacted in 2009. Brown is asking the Legislature to put a special-election ballot measure before voters in June that would resume increases in personal income taxes and extend increases in sales tax and vehicle license fees for five years in order to raise \$9 billion annually in revenues.

The obstacles Brown faces are enormous. In 2009, 65 percent of California voters rejected Proposition 1A, which temporarily would have extended those tax increases. Voters also rejected Proposition 1D, a measure that would have redirected tobacco tax revenues destined for early childhood education programs to the General Fund. Brown wants voters to revisit the tobacco-tax money pot, too.

That makes two Brown-inspired measures planned for the June ballot, on top of two other measures - term limits, taxing tobacco more - that already have qualified. Voters tend to get ornery when they feel Sacramento is overworking them. Ask Arnold Schwarzenegger, whose political reform measures tanked in 2005.

Schwarzenegger may have won re-election in 2006, but he never recovered from those ballot measure losses.

Brown faces two other big obstacles: Democrats and Republicans.

Democratic legislative leaders have voiced grudging support for Brown's proposed cuts in MediCal, welfare spending and higher education. The question is: Do they have the resolve to stick with those cuts? It took them 39 days past the budget deadline last year before Democrats - Assembly Speaker John Perez and Senate President Pro Tem Darrell Steinberg - could agree on a revenue plan. Even then their "tax swap" was a let's-pretend-we're-doing-something exercise.

Brown needs a handful of GOP votes to meet the two-thirds majority threshold needed to qualify a measure for the ballot. So far, he has none.

As Riverside County GOP Assemblyman Kevin Jeffries told me, "It's pretty risky for any Republican to go out there. One: The Democrats will beat you up in a (general election) campaign. Two: The Republicans will beat you up in a (primary election) campaign. And three: The voters have already spoken that they don't support tax increases. So what's the incentive?"

Brown adviser Steve Glazer answers: "Downsizing of state government unprecedented in their political careers."

There's talk of using arcane language in Proposition 25 to maneuver around the two-thirds requirement, but there's another reason the GOP leadership should cough up the votes to meet the established two-thirds rule - they'll have a bigger place at the bargaining table.

In the negative column, as conservative Fox and Hounds blogger Joel Fox points out, Brown is asking voters to raise taxes without having won pension reforms or dangling a spending cap.

On the plus side, Democratic operative Roger Salazar noted, Brown's spending cuts have a lot of appeal for Democratic and Republican voters who think there's a lot of waste in state government. "It's probably not as high as people think it is," said Salazar. But by paring his own budget and targeting cell phones, Brown has demonstrated that "if we're going to ask for cuts and additional sacrifice and an extension of the revenues, we're going to show you, it's going to be used wisely," Salazar said.

In the negative column, Brown didn't campaign on the need to raise taxes, only on the promise not to raise them without voter approval. He did not come to Sacramento armed with a mandate to raise taxes.

On the plus side, Democrats have little incentive to sabotage this plan, as happened in 2009 when the state Democratic Party refused to endorse Proposition 1A, even though the Democratic Legislature had put it on the ballot.

I've spent the week wondering: Does Brown think he's so charismatic that a majority of voters will approve what is essentially a tax increase, after 65 percent of voters said two years ago that they wouldn't?

Or is Brown relying on the fact that things are so bad that even schizophrenic California voters finally may realize that after years of electing representatives who spent more than they've taken in, they can't put off paying for the government they've chosen?

Contra Costa Times

Saint Mary's College wants a presidential debate

By Jonathan Morales

Posted: 01/15/2011 02:13:15 PM PST

Updated: 01/15/2011 02:13:16 PM PST

MORAGA -- Like many politicians, Saint Mary's has tackled the Senate and now has its eyes on the White House.

Just a few months after hosting a debate between Senate candidates Barbara Boxer and Carly Fiorina, the college is readying a bid to bring one of the 2012 presidential debates to Moraga.

"We think it would be an incredibly positive thing not only for the college but for the East Bay/Northern California region," said Tim Farley, the college's director of community and government relations. "It's ambitious, but we think we can do it."

The debates -- three for presidential candidates and one for vice presidential candidates -- are put on by the nonprofit Commission on Presidential Debates.

Prospective hosts must submit a bid by March 31, and the commission spends the summer touring the sites before making its decision in the fall.

Between 18 and 24 sites typically apply, said Janet Brown, the commission's executive director.

The senatorial debate gave the campus community the chance to see the political process up close, and was well received by both alumni and the town of Moraga, said Michael Beseda, Saint Mary's vice president for college communications

"After it was over we kind of looked at each other and said maybe it's time to think about maybe doing a presidential debate here," he said.

The list of requirements just to apply is daunting: a debate hall of at least 17,000 square feet, a 20,000-square-foot media center, and parking for up to 575 cars and 30 television trucks, to name just a few.

Meet those criteria? The commission will then want to talk with you to see if you truly understand how disruptive the event can be, Brown said.

The goal, she said, is to find sites best suited for a debate. Politics -- red state versus blue state -- do not enter into the selection process, and location does only to a limited extent.

"It's nice to have a variety (of locations) but what we're looking for first is places where you can get the job done," Brown said.

The last presidential debate held in California was in 1996, at the University of San Diego. The 2008 debates were held in New York, Missouri, Tennessee and Mississippi.

Bringing the debate, and presumably a sitting president, to quiet Moraga will undoubtedly have a major impact on the town. But it's also a chance to show the nation what a special community Moraga is, said Mayor Karen Mendonca.

"To think that Saint Mary's College in Moraga, California, could actually be the site of a national debate is to me very exciting," she said.

The event could also help boost Moraga's restaurants and other businesses, said Town Manager Jill Keimach.

And any burdens the debate could place on the town's residents and roads?

"That's something we'll have to look at carefully," Keimach said. "It's a very short-term event, and so it's a balance of pros and cons."

Beseda admits meeting some of the facility requirements will be a stretch -- the college's main gym would be the likely debate hall. But both he and Farley are confident in Saint Mary's chances at being selected.

"We have no delusions. We know it's ambitious," Farley said. "But we can do it and make for a wonderful experience for our students."

Contact Jonathan Morales at 925-943-8048. Follow him at [Twitter.com/sosaysjonathan](https://twitter.com/sosaysjonathan).

Contra Costa Times

Veteran East Bay legislator will lose resources committee seat

By Lisa Vorderbrueggen

Posted: 01/14/2011 06:29:49 PM PST

Updated: 01/14/2011 08:04:33 PM PST

Rep. George Miller, D-Martinez, will lose his long-held seat on the House Natural Resources Committee as a result of the GOP cutting overall committee sizes.

Miller has sat on the resources panel since almost the first day he set foot in the Capitol as the 7th District representative in 1975. He subscribed to then-Rep. Phil Burton's advice that a new member with an eye toward gaining seniority and influence should pick committees and stay there.

The Natural Resources Committee oversees a swath of environmental and resource policy arenas including the Endangered Species Act, parks, fisheries, forestry, mining, oceans, water and Native American issues.

Under the reduced numbers of committee posts and the need to share what remains with his colleagues, Miller cannot keep both his seats on resources and the Education and Workforce Committee, known under Democratic control as the House Education and Labor Committee.

Leaving resources is tough, Miller said.

"But I have been, in the last few years, as I served as chair of the Education and Labor Committee, on resources by virtue of waiver," Miller said.

"Now, with the election outcome and cut in the size of many committees, many members won't have their first or even their second choice of committees."

The House Democratic leadership team is expected to finalize its committee assignments early next week.

An avid environmentalist with a deep resume on water and environmental legislation, Miller was the Natural Resource Committee's chairman from 1991-1994.

When Democrats lost the majority in 1994, the veteran legislator stepped into the committee's No. 2 post for the next six years.

He often waged very public policy battles with then-Rep. Richard Pombo, his GOP neighbor from Tracy who became committee chairman and sought to weaken the Endangered Species Act.

In 2000, Miller gave up his ranking member seat on House Resources for the same job on the Education and Labor Committee, the other panel he has served on since 1975.

He became the committee chairman from 2007-2010 after Democrats retook the majority control, and has now returned to ranking member status.

Through a waiver of the House's Byzantine rules that dictate how many committees and in what role a member may serve at the same time, Miller had kept his spot on the Resources Committee after he stepped down as its ranking member.

That all changed earlier this month when Republicans announced, as part of its reform package, overall committee size reductions. Democrats also lost seats as a result of the GOP victory, as the controlling party maintains a majority vote on each committee.

Despite the loss, Miller vowed to remain engaged in environmental policy, particularly water and the fight over how to cure the Delta of its ills.

"We have a working group of the (congressional) members from the Bay Area and Northern California, for water," Miller said.

"I suspected I would lose the resources seat after the election, but it's critical to stay involved, for our economy, environment and quality of life."

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sacbee.com

Dan Walters: Vote margin on taxes key factor

Published Wednesday, Jan. 12, 2011

A key factor in Gov. Jerry Brown's plan to balance the state budget is whether he and fellow Democrats could do it by themselves, or whether the votes of at least a few Republican legislators would be required.

Politicians and stakeholders are consulting attorneys, but at the moment, no one appears to know for certain – in part because the sections of the state constitution involved have never been legally tested.

There's no question that Brown and Democratic leaders want at least some Republican support for placing billions of dollars in income, sales and car taxes on a special election ballot in June because it would aid the campaign to persuade voters to approve the levies. Brown says it's "much better if this is a bipartisan effort."

Brown adds that he's hopeful Republicans "are not locked in stone in opposition" to asking voters for more revenue by extending temporary taxes that are expiring, although he acknowledges that with strong opposition from anti-tax groups, "they'll be very hesitant."

Republicans who voted for the temporary taxes two years ago were hammered by anti-tax groups and radio talkers. So far, GOP leaders have shunned an election to extend them.

If that holds, Brown and his chief legislative partner, Senate President Pro Tem Darrell Steinberg, leave open the possibility of moving ahead without a supermajority vote.

"We'll look at every and any way we have at our disposal to save California," Steinberg says.

There are two potential pathways for placing taxes on the ballot in June with a simple majority legislative vote and Brown's signature.

One would be a section of the state constitution that allows the Legislature to propose amendments to previously approved statutory initiatives. In theory, therefore, the additional taxes could be framed as amendments to a previous tax measure, such as Steinberg's own Proposition 63, which imposed an income tax surcharge on the rich for mental health programs.

Under this theory, the amendment would be passed in the Legislature's special session on the budget and after a 90-day wait would be placed on a special election ballot.

The second potential pathway would be Proposition 25, enacted by voters last November. It reduces the legislative vote on budgets from two-thirds to a simple majority and also applies the lower vote margin to measures needed to implement the budget, called trailer bills in Capitol jargon.

While the constitution requires a two-thirds vote to enact new taxes directly, would Proposition 25 allow taxes to be placed before voters with a simple majority vote as a budget implementation measure?

Lawyers inside and outside of government are hurriedly seeking an answer. And since the legal picture is cloudy, were Democrats to move on their own, court battles would surely follow.

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SFGate

Nicolas Berggruen wants to fix California budget

Joe Garofoli, Chronicle Staff Writer

Wednesday, January 12, 2011

Nicolas Berggruen spends part of the year in California f... Billionaire Nicolas Berggruen discusses his plans to bank...

Few Californians know who French billionaire Nicolas Berggruen is or why he's ready to spend at least \$20 million to propose long-term, bipartisan solutions to California's broken political system.

That will change soon as the all-star team he's recruited made its first public comments this week in support of Gov. Jerry Brown's proposal to transfer more power from the state to local government.

There have been several similar efforts to reform California's fractured governance in recent years. But analysts say few could beat Berggruen's bankroll, his A-list cast of reformers or his connections to the governor.

Shortly after Brown announced his budget proposal Monday, the 14-member Think Long Committee for California team - which includes Google CEO Eric Schmidt and former Secretary of State Condoleezza Rice - called the fiscal plan "an encouraging and laudable sign of the seriousness of the new administration that it is tackling one of the key elements of reform."

Selling the plan

Now that they're on the record with a position, members of the group must sell that to their constituencies - whether Republican, Democrat, union or business, analysts said.

"It's not all about money or who's on the group," said Mark Baldassare, who has worked with most of California's major reform efforts over the past decade. The CEO of the nonpartisan Public Policy Institute of California has shared his reform research with the group and said he considers their effort to be promising.

The group, which began meeting in October, plans to offer what Berggruen called an integrated set of a few proposals this year. The group may support ballot measures and other efforts that address the state's long-term dysfunction, he said.

Its members are talking about realigning the tax system to make it broader and flatter; budget reform; establishing two-year budget planning; ballot initiative reform; and streamlining regulations while keeping environmental concerns in mind.

Enacting reform

"We're not trying to reinvent the wheel," said Nathan Gardels, a senior adviser to the committee, adding that other reform groups have discussed similar themes.

"But when you have (labor leaders) sitting down with the head of Google to talk about long-term issues, that's what helps. That's what's different," said Eric Bauman, chairman of the Los Angeles County Democratic Party and someone who has helped other reform efforts.

The biggest challenge, Bauman said, is to stay focused - and place measures on the ballot.

Berggruen said the committee thinks Brown is the right man to enact reforms, and many of its members know the governor well.

Gardels was an economic policy adviser to Brown during his first stint as California governor and has traveled with him to Russia and China. The commission also includes Brown friends and associates, including former Gov. Gray Davis (Brown's ex-chief of staff) and former San Francisco Mayor Willie Brown.

An adviser to the new governor briefed the group on part of the budget proposal last Wednesday, days before many Sacramento insiders got a peek. But that doesn't mean it will march in political lockstep with him.

"We'll be there as a support to the governor and certain things we'll have to work on our own," Berggruen said.

GOP members

Its Republican contingent includes former UC Board of Regents Chairman Gerald Parsky, who has served in several Republican administrations, and former GOP state Treasurer Matt Fong. Also on the committee are Los Angeles labor leader Maria Elena Durazo, California Community Foundations chief Antonia Hernandez and former Clinton administration economic adviser Laura Tyson.

Berggruen, 49, has a practical and a personal reason for wanting to help shape reforms in California. While the globe-trotter does not own a home, he spends about three months of each year in the state, staying in five-star hotels such as the Chateau Marmont in West Hollywood, where he throws an annual Christmas party that draws celebrities and high-society guests.

Forbes magazine pegged his wealth at \$2.2 billion, with his holdings ranging from a large department store in Germany to major media companies in Spain to a power plant in Turkey.

Only "a very small percentage" of his holdings are in California, he said. "The think tank is not involved in businesses. Also I am not involved in (my) businesses from an operational standpoint."

While he stresses that he is nonpartisan, he remains a registered Democrat in Florida ("Oh, I have to fix that," he said.) and has given money to the campaigns of President Obama, Sen. Chuck Schumer, D-N.Y., and Sen. John Kerry, D-Mass.

SFGate.com

Nicolas Berggruen: 'California is worth saving'

John Diaz

Sunday, January 9, 2011

Billionaire Nicolas Berggruen discusses his plans to bank... Billionaire Nicolas Berggruen discusses his plans to bank...

A most unlikely benefactor has emerged to try to revive California's reform movement. Nicolas Berggruen, 49, does not even own a home in California. The Paris-born, globe-trotting billionaire spends about three months a year here - which, incidentally, is longer than he stays anywhere else. He does not always vote, although he is registered as a Democrat in Florida, and has absolutely no interest in running for office.

Unlike certain business tycoons, Berggruen does not pretend to know the formula for relieving state government of its seemingly terminal dysfunction. But he does bring optimism, top-shelf political connections and the critical element that has been lacking in other recent reform efforts: money.

"California is worth saving," he said in an interview last week at The Chronicle, where his late father, world renowned art collector Heinz Berggruen, worked as an art critic in the 1930s.

Berggruen has pledged a down payment of \$20 million to put together and promote a package of reforms for legislators and voters to consider, covering everything from streamlining regulation and overhauling the tax structure to modifying term limits, restraining the initiative process and elevating public education.

One of his areas of pursuit - shifting government funding and service delivery to the local level - dovetails with one of the priorities of Gov. Jerry Brown and Senate leader Darrell Steinberg.

Berggruen's "Think Long Committee for California" includes a cast of heavyweights from both parties, including former Secretaries of State George Shultz and Condoleezza Rice, former Assembly Speakers Robert Hertzberg and Willie Brown, Clinton economic adviser Laura Tyson, philanthropist and real estate tycoon Eli Broad and Google CEO Eric Schmidt. Gov. Arnold Schwarzenegger and his predecessor, Gray Davis, participated in the group's initial meeting at Google headquarters in October.

The committee is supposed to deliver a recommended package of reforms this summer, with the intention of putting those that require voter approval on the ballot in 2012.

Berggruen has touched all the right bases to develop a proposal that could be taken seriously in public-policy circles. He has enlisted two former state finance directors as advisers and has been working

closely with the Public Policy Institute of California and the reform group California Forward. He has surrounded himself with seasoned wonks who are clear-eyed about the magnitude of the challenge.

The committee's charge is to come up with long-term fixes to the government structure - not instant patches to the state's \$28 billion deficit.

"California's dysfunction doesn't come from one thing, it comes from several," said Think Long adviser Nathan Gardels, whose deep public-policy credentials include a stint with Brown's first administration. "It comes from the initiative process being abused, it comes from bad practices in good years in terms of the budget, it comes from taxes not being broad enough to sustain a base, it comes from government being too distant - people not knowing where their dollars go ... all those things."

This committee's work is going to be worth watching. Berggruen has made it clear that he has no agenda of specifics - he is going to defer to the august group of minds to come up with reform proposals.

He readily acknowledged that \$20 million would not be close to enough to pass a package of reforms. California's single-issue restriction on ballot measures would require splitting them up, elevating the cost of signature-gathering and campaigns - and isolating targets for special interests to attack. So how much is the part-time California resident, the 164th wealthiest person in America according to Forbes magazine, prepared to spend?

"Whatever it takes," he promised.

John Diaz is The Chronicle's editorial page editor. You can e-mail him at jdiaz@sfchronicle.com.

Contra Costa Times

Vorderbrueggen: Hercules in political firestorm

By Lisa Vorderbrueggen

Posted: 01/08/2011 05:38:00 PM PST

Self-governance is a heavy burden.

Just ask the folks in Hercules, a city enmeshed in controversy over outrageous consulting fees, nepotism, insider sweetheart mortgages, unpaid bills, a wrongly fired interim city manager, and a dramatic, public assistant city manager resignation replete with sordid details.

The city whose logo features its historic namesake dynamite company threatens to implode and blow a hole in its government.

Several of its major redevelopment projects and the intermodal station are underfunded and the redevelopment agency and the city are also millions of dollars short of what's needed to pay bond and other obligations.

There seems no end to the political fallout.

Angry residents have mounted a recall campaign against Hercules Mayor Ed Balico, Councilman Don Kuehne and Councilwoman Joanne Ward.

Balico gave up his seat on the influential countywide transportation agency after it became clear that his Contra Costa Mayors Conference colleagues would not support his reappointment.

Rumors abound of an FBI investigation, lawsuits and a grand jury probe, while neighboring and outside agencies that do business with Hercules are taking a harder look at their deals. The city's problems could affect for years its ability to attract both private and government investment.

Who will right the ship?

As tempting as it may sound to look toward law enforcement or state lawmakers, neither seems likely to bail out Hercules anytime soon.

Federal political corruption convictions in Contra Costa County are exceedingly rare.

Six years ago, a former Hercules redevelopment manager and a relative were sentenced to federal prison after an investigation showed the two created false home repair applications and paid for work that wasn't done.

The more famous case involved a 2001 federal corruption probe, which resulted in the conviction of Richmond firefighters' union leader and political kingmaker Darrell Reese.

The state has little authority over troubled cities.

Assembly Speaker John Perez has introduced a bill that would disincorporate the scandal-plagued city of Vernon, a town of 95 people whose former city administrator and mayor were criminally charged with public corruption. But dissolving a city poses serious legal challenges.

In the city of Bell, where all but one of its council members and former city manager face criminal charges in the wake of stories by the Los Angeles Times, the same newspaper reports that a judge has rejected a request by the California attorney general to appoint an official to monitor the city. The judge called the request overly broad.

It is tricky, agreed State Sen. Mark DeSaulnier, D-Concord.

He is tentatively looking at drafting legislation that would set up random audits of local governments by the Bureau of State Audits, an independent agency led by Elaine Howle. Ideally, the language would also include audit triggers, such as citizen complaints or revelatory news stories.

"An outside set of eyes could go a long way toward restoring the public's confidence in a troubled local agency," DeSaulnier said.

"Of course, audits cost money and the state doesn't have any."

In the short term, DeSaulnier could approach the state's Joint Legislative Audit Committee and seek approval for a Hercules-specific audit. Again, it would take money.

No, Hercules residents must captain their own ship.

Ask Cindy Trego. She helped lead a successful recall in Pinole two years ago, and voters booted two incumbents over less serious problems. They didn't sit around waiting for an FBI sting or a legislative fix.

"The recall helped change a lot of things in our city," Trego said. "As much as people said a recall was too divisive, the community was already divided. How much more divided can you be?"

Hercules community activist Dan Romero wishes a recall weren't necessary. It's hard and it's messy.

"But in the span of three city managers, we, as a city, are broke, and it's embarrassing," Romero said. "I'm not OK with what's happening. If our leaders are not willing to do the job, then we have people who are willing to step in and do it."

GOT POLITICS?: Read the Political Blotter at IBABuzz.com/politics.

Watch video of last week's Contra Costa Mayors Conference, including DeSaulnier's predictions about a dire budget, appeals for highly sought-after appointments and Balico's decision to withdraw his name for consideration as its appointee to the Contra Costa Transportation Authority.

Get ready for a new blast of data as the Bay Area News Group launches its annual round of public employee salary requests. This year, the project leaders have also asked for pension and other benefits costs.

Leader wanted: California's premier campaign watchdog, the Fair Political Practices Commission, will lose its savvy chairman at the end of the month when his term expires.

Dan Schnur, appointed last year by former Gov. Arnold Schwarzenegger, wants to go back to his job as director of the Jesse M. Unruh Institute of Politics at the University of Southern California.

There's no word on who Gov. Jerry Brown has in mind for the job.

Understandably, Brown is focused on the state's gaping \$28 billion budget deficit rather than the hundreds of appointments that fall under the governor's purview.

But the commission is an exceptionally important agency, particularly at a time when voters have expressed record-low confidence levels in their government. Its executive director, Roman Porter, is a top-notch professional with a stellar reputation who has helped drive the agency into the modern, online world.

Brown knows all this, of course. He campaigned as secretary of state in 1974 for the statewide ballot initiative that created the commission.

When he gets a few minutes, he should put the integrity of California's campaigns at the top of his appointments to-do list.

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Contra Costa Times

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And any burdens the debate could place on the town's residents and roads?

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Contact Jonathan Morales at 925-943-8048. Follow him at [Twitter.com/sosaysjonathan](https://twitter.com/sosaysjonathan).

Published on CAIVN (<http://www.caivn.org>)

Over three decades, dozens of ballot measures have hampered a budget solution

By Greg Lucas

Created 2011-01-07 06:08

"What we're looking at today is much worse than it's ever been before and our opportunities to fix it are very limited." So said Gov. Jerry Brown at one of his December "budget conferences" around the state.

A major reason the opportunities to fix what is estimated to be at least a \$25.4 billion budget hole if the Democratic governor and the Legislature do nothing over the next 18 months is more than 30 years of voter-approved initiatives that both dictated spending and reshaped the relationship between state and local government. What started the problem occurred in June 1978 when Brown was running for a second term.

Angered by spiraling local property tax rates, voters approved Proposition 13 which shifted the power over divvying up property taxes from local governments to the state Legislature. The ballot measure also made it harder for the Legislature to increase taxes by creating a two-thirds vote threshold for approval. "Proposition 13's biggest impact has been in centralizing power in the Legislature," said Mark Paul, co-author of California Crackup: How Reform Broke the Golden State and How We Can Fix It.

"Funding of social services that used to be made in county supervisors meetings, city halls and school districts are now made in Sacramento," Paul said. "Proposition 13 gave the Legislature more powers but less ability to act."

California's new governor recognizes this. "We're really still operating in the wake of Prop 13 and the redistribution of power to Sacramento," Brown told reporters after a January 5 meeting with the executive board of the California State Association of Counties. Three days earlier in his inaugural speech, Brown pledged to "return -- as much as possible -- decisions and authority to cities, counties and schools, closer to the people." The Democratic governor has said his budget, to be unveiled January 10, will include elements that will send some current state responsibilities, such as welfare, back to cities and counties, and relieve local governments of some obligations, reportedly mainly in the health care area, such as in-home care for the elderly.

Bailing out cash-strapped local governments and school districts in the wake of Proposition 13 used up much of the surplus Brown had amassed in his first term and consolidated even more power in Sacramento.

But Proposition 13 was just the beginning. In 1979, voters approved Proposition 4 that imposed what's come to be called "the Gann limit" on state and local spending. Paul Gann, the sponsor of the initiative, was also a co-sponsor of Proposition 13. Under the initiative, state and local spending were limited to that in the prior year, adjusted for population growth and per capita personal income growth. The state has rarely gotten close to the limit in the intervening 31 years. When it did appear state spending would be over the limit, the

Legislature put a measure on the ballot to recast the spending cap formula, ensuring the state would never hit the limit.

However, Proposition 4 also contained a provision that the state pay for any responsibilities or "mandates" that it imposed on cities and counties, a further drain on state resources. During the budget crises of the past two years, numerous mandates have been suspended to save the state money -- 56 in the current fiscal year which ended June 30, among them, conducting autopsies of children who die of SIDS, Filipino employment surveys, and holding firearms hearings for discharged inpatients. Some like requiring that lost animals stay in a shelter for at least seven days to give owners a better chance of retrieving them have been suspended at least eight years. But county has reverted to the old law of 72 hours.

The first of several measures that increased state revenue but dictated what it could be spent on was approved in November 1984. The state lottery says ticket sales in the fiscal year that ended June 30 were roughly \$3 billion, of which more than \$1 billion was given to schools.

In November 1986, voters required city councils and boards of supervisors to approve local tax increases by a two-thirds vote, subject to ratification by a majority of local voters.

Two years later, the manner in which the state provides support to public schools was transformed by Proposition 98. The proposition created a series of formulas that guaranteed public schools at least 40 cents of every dollar that flows into the state's general fund, a total that should have been \$54 billion this year. How much the state owes annually fluctuates annually based on the economy and the health of the general fund. In years when the economy is strong and tax revenue increases, so does the amount the state gives to schools. Similarly, in starker economic times, like the "Great Recession," the state's obligation falls.

"Proposition 98 is something restrictive, especially during good times, but it hasn't been all that restrictive in the last few years because the guarantee has fallen because revenues have fallen," said Mac Taylor, the state Legislative Analyst.

Lawmakers can suspend Proposition 98 on a two-thirds vote and give schools less than the minimum guarantee but must repay the amount schools are shorted over time. This year, the Legislature suspended Proposition 98 and funded schools at nearly \$50 billion, \$4.1 billion less than Proposition 98 calculated schools were owed.

After the lottery was created, a trio of propositions increased state revenue but insisted it be spent for specific purposes. November 1988's Proposition 99 levied a 25-cents-per-pack tax on cigarettes and other tobacco products requiring the proceeds be spent on various health related programs. Revenues have fallen over 22 years to about \$285 million annually.

Ten years later, Proposition 10 added an additional 50-cent per-pack tax, requiring the approximately \$500 million it raises annually be spent on early childhood development programs, which are now known as First 5. Unlike Proposition 99's revenue which can be diverted by a super-majority vote of the Legislature, First 5 money can't be spent for other purposes unless voters approve the change.

Proposition 63, on the November 2004 ballot, has the same requirement. It imposed an additional 1 percent tax on income over \$1 million and required the revenue be spent on mental health programs. Since its enactment, revenues generated have varied from \$900 million to \$1.5 billion. In a budget balancing move, lawmakers and Gov. Arnold Schwarzenegger asked voter permission in 2009 to spend some of the revenue raised by both propositions differently. Voters rejected the idea.

"Cumulatively, the presence of all these restrictions does make it more difficult to address a general fund budget issue," Taylor said.

Another series of ballot measures have been spawned by local governments in response to the state "borrowing" or simply seizing local revenue for budget problems. Proposition 1A from November 2004, for example, requires the state to repay within three years any money it borrows from local governments. The state used \$2 billion in local money which must be repaid in the fiscal year beginning July 1.

Last year, in reaction to the state taking redevelopment and redirecting state gasoline tax revenues from cities to the state, the two aggrieved parties placed Proposition 22 on the ballot prohibiting the state from doing so again. And voters also approved in November Proposition 26 which says a two-thirds vote is required for an imposition of a fee. Much of the state's environmental and resources programs are paid for with such fees.

"I don't know how Prop 26 will work," Taylor said. "There will be a lot of legal challenges that determine how restrictive or not restrictive it is."

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E & ENEWS

3. APPROPRIATIONS: Feinstein will move to energy subpanel -- Landrieu

(01/06/2011)

Katherine Ling, E&E reporter

Sen. Dianne Feinstein (D-Calif.) likely will take the gavel of the Energy and Water Appropriations Subcommittee, Sen. Mary Landrieu (D-La.) said today.

"She is very interested, and I think that is what she is going to ask for," Landrieu told reporters today. "I would be very happy to have Energy and Water, but I think Senator Feinstein is going to take her privilege to chair it."

Landrieu is in line to head the Homeland Security Subcommittee, she said, although she would take Energy if Feinstein decides to pass. Sen. Jack Reed (D-R.I.) likely would take up Feinstein's former top position on the Interior and Environment Subcommittee, Landrieu added.

Feinstein's and Reed's offices did not return requests for confirmation or comment on the move. Feinstein did not return to Washington, D.C., this week after surgery on her knee over the break.

Sens. Tom Harkin of Iowa, Barbara Mikulski of Maryland and Patty Murray of Washington all told E&ENews PM today that they are keeping their top spots on their subcommittees. Harkin chairs Labor and Health and Human Services, Mikulski has Commerce and Science, and Murray has Transportation and Housing.

But Sen. Patrick Leahy (D-Vt.), second in committee seniority and chairman of the State and Foreign Operations Appropriations Subcommittee, said he had not made a final decision on keeping his subpanel. He said he was attending a meeting this afternoon "to figure out where to go."

"I haven't made my mind up, but I will stay on Appropriations, though," Leahy said. He is also the chairman of the full Judiciary Committee.

The Energy and Water Subcommittee's two top spots opened up this Congress as their former leaders left Capitol Hill. Sen. Byron Dorgan (D-N.D.) retired, and Sen. Bob Bennett (R-Utah) lost his bid for renomination. The subcommittee controls funding for the Energy Department, nuclear weapons, national laboratories, the Army Corps of Engineers and the Bureau of Reclamation.

Whoever takes the gavel of the Interior and Environment Appropriations Subcommittee is likely in for a very bumpy session, as its jurisdiction includes the U.S. EPA budget as well as the Interior Department. Republicans have sworn to use the appropriations process to tamp down on EPA activity on greenhouse gas emissions, water and other new regulations that they claim will hurt the economy.

The GOP subcommittee ranking member spots on the committee are also in play. Sen. Lisa Murkowski (R-Alaska) said she is considering a ranking member position on the Interior subcommittee. Sen. Lamar Alexander (R-Tenn.) is currently ranking on the Interior Appropriations Subcommittee, but he could also step up to the

top GOP position on Energy and Water, which has jurisdiction over two subjects important to Tennessee: nuclear energy and water projects.

Murkowski is also waiting to hear whether she will retain her position as ranking member of the Senate Energy and Natural Resources Committee.

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from Sacbee / Opinion / Editorials

Editorial: House GOP misreads the mandate of Nov. 2

Published Wednesday, Jan. 05, 2011

To the victors go the spoils. But as the 112th Congress takes office today, Republican leaders seem inclined to use their new power in ways that do not bode well for the country.

Instead of focusing on joblessness and other pressing priorities, the new GOP majority in the House appears stuck in the past – trying to kill health care reform and investigating alleged misdeeds in the Obama White House.

That is a misreading of the November election, and an irresponsible path that will only waste time on political gamesmanship.

Californians are key members of the GOP vanguard, including Rep. Kevin McCarthy of Bakersfield in the third-ranking post of majority whip. They shouldn't need reminding that the economy is their top task, not with more than 2 million Californians still unemployed.

As chairman of the House Committee on Oversight and Government Reform, Rep. Darrell Issa of Vista is setting his sights on what he calls "one of the most corrupt" administrations in modern history. Though he tried to backpedal from that ridiculous assertion, he is nonetheless vowing to launch investigations on a wide range of issues: WikiLeaks, corruption in Afghanistan, the housing foreclosure crisis, recalls at the Food and Drug Administration, etc., etc. While Issa says his goal is to root out wasteful spending, not prosecute White House officials, one result could be the same: a parade of top aides spending too much time testifying before his committee.

As one of their first orders of business, House Republican leaders plan a symbolic vote to fully repeal the health care plan. A poke in the eye before Obama gives his State of the Union address, the gambit is unlikely to get through the Senate and would be stopped by the president's veto pen. Republicans plan to try to rescind specific provisions of "Obamacare" and starve it of money. Reps. Dan Lungren of Gold River and Wally Herger of Chico could play major roles in pushing that effort.

Republicans claim they're doing what voters want, but the exit polls from Nov. 2 do not back them up. The election was clearly a referendum on Obama and the economy – 62 percent said it was the most important issue. Only 18 percent picked health care; while half of voters said health reform should be repealed, the other half said it should be left alone or even expanded.

Lungren and Rep. Tom McClintock of Elk Grove are among Republicans who want to eliminate "birthright citizenship" – the 14th Amendment guarantee of citizenship for children born in the United States, regardless of their parents' immigration status. That may appeal to some voters, but it ultimately will harm the GOP's standing with Latino voters and is a distraction from the real immigration reform that we need.

Egged on by tea party extremists, key Republicans are talking and acting in ways that will only lead to the partisan vitriol that understandably sours Americans on Washington.

Contrast all the huffing and puffing from Republicans with the president's measured tone. On his way back Tuesday from a two-week vacation in Hawaii, Obama urged Republicans to put politics aside and focus on delivering more jobs. He wants to build on the lame-duck session in December, which offers a much more promising template of what can get done with some bipartisanship.

We'll see soon enough whether Republicans are more interested in governing or playing politics.

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Seismic change for California?

By: Richard E. Cohen

January 5, 2011 04:44 AM EST

California, which has more House members than any other state, yet typically sees almost no turnover of seats, is facing the prospect of a huge change in its congressional delegation.

With little fanfare, voters in November yanked control of the map-making process from the highly partisan Legislature in Sacramento and handed it to an entirely new — and unpredictable — Citizens Redistricting Commission.

The uncertainty of the final product is already causing major indigestion within the Golden State's powerful 53-member House delegation — led by outgoing Speaker Nancy Pelosi — which recently had as many as five committee chairmen and will still have three chairmen after Republicans take charge.

From the barrios and mansions of Los Angeles County to the suburbs and farmlands of the interior, all political power in the nation's megastate will be up for grabs — a dramatic departure from that most recent redistricting, during which incumbent-protection efforts prevailed. This time around, no one in the enormous delegation can be certain of whether they will have cozy, unassailable districts when the new map is completed — or even where their districts will be.

The Census Bureau's House reapportionment numbers for the next decade reveal that California's delegation will not grow for the first time since statehood in 1850. The state's looming redistricting chaos shows that battles with huge partisan stakes can take place in states that are neither gaining nor losing House seats.

Because of its unpredictability, next year's redrawing could be one for the history books.

"I have no control," shrugged Democratic Rep. Howard Berman, who, with his brother Michael Berman, a storied political consultant, was instrumental in drawing the 2002 lines.

Although the delegation's members have individually been planning for what lies ahead, most of them share Berman's professed ignorance of the new scenario. And they voice varying degrees of anxiety.

"I don't think that anybody has figured it out. Uncertainty makes all politicians crazy," said Democratic Rep. Bob Filner, who supported creating the commission as an improvement over partisan line drawing, which he said has "diminished democracy." Removing politicians from the process could boost Democrats, he said, given the state's partisan leaning.

"Members of the delegation will struggle to survive," said nine-term Rep. Sam Farr, a Pelosi ally. "Total uncertainty for everybody means that there will be total chaos. In Northern California, we may have to run against each other, or move, or run against state legislators. There will be no safe seats."

Under the new rules, which 61 percent of the voters approved as an amendment to the state Constitution, the 14-member redistricting commission will draw districts for Congress as well as the state Legislature. The final maps must be approved by a supermajority of members — at least three Democrats, three Republicans and three members affiliated with neither party. The referendum barred the commission from “favoring or discriminating against an incumbent, political candidate or political party.” It also ordered the commission “to consider the geographic integrity of cities, counties, neighborhoods and communities of interest.”

The prospective changes are all the more destabilizing because the politics of the California delegation has been remarkably stable. In the past decade, only one seat changed partisan hands: the Bay Area congressional district of Democrat Jerry McNerney, who defeated conservative Republican Rep. Richard Pombo in 2006. Only 14 of the 53 members have served less than a decade, and many of the others can't recall a serious reelection challenge.

Perhaps more significantly, the delegation has aged. Of the 34 Democrats, eight are 70 or older, and 10 are 65 to 69. Only four of the 19 Republicans are 65 or older. The relatively high number of senior-status legislators will very likely encourage retirements among those who are reluctant to combine the rigors of their Capitol Hill work with regular cross-country flights to tend to constituencies in redrawn districts that could be unfamiliar.

Observers of the delegation predict retirees could include Republican Jerry Lewis and Democrat Pete Stark, who were each denied a chairmanship in the past year. Other members, such as Democrat Lois Capps, Republicans Elton Gallegly and Gary Miller, and even Berman — all except Miller will be at least 68 in 2012 — have been mentioned as possible retirees because their districts may change.

Filner, who has chaired the House Veterans' Affairs Committee, said he expects to decide soon whether to run for San Diego mayor in 2012.

“Rather than being in the House minority, I could have executive power as a chief executive,” he said. Although his House seat has been safely Democratic, San Diego has a history of electing Republican mayors.

Democratic Rep. Adam Schiff, who in 2000 defeated a Republican incumbent in a brutal and costly contest, predicted that a commission-drawn map will yield a greater number of competitive contests.

“I expect significant changes in the district lines,” he said. He added that another new election-law change to require “open primaries” for all voters will benefit political moderates, such as himself.

The post-redistricting landscape is further complicated by the ambitions of numerous politicians — some of whom face term limits of six years in the state Assembly and eight years in the state Senate. Although passage of last month's referendum means that they will no longer have an opportunity to draw a district to their liking, that's not likely to stop them from trying to influence the commission or eyeing vulnerable incumbents.

The state's overall Democratic tilt should encourage many aspiring Democrats to challenge GOP incumbents, especially in the Los Angeles area. It's not lost on many prospective challengers that Republicans failed to win a single statewide race or state legislative seat in 2010, a remarkable record in a GOP landslide year nationally.

sacbee.com

Jerry Brown pitches a shift to local governments

dsiders@sacbee.com

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Gov. Jerry Brown, beginning the "complex undertaking" of shifting responsibility for many state programs to local agencies, started pitching the plan Tuesday to local leaders.

Brown has said he will propose a realignment of services, possibly far-reaching, as part of a proposal to resolve a state budget deficit estimated to be at least \$25 billion over 18 months.

"To realign responsibilities, it involves welfare, it involves Medi-Cal, it involves parole, probation, many other things," Brown said before meeting with county leaders on his second day in office. "So, it's the kind of complex reordering that I want to be very careful about."

Brown said the state will direct funding to local agencies to pay for any program shifts.

He declined to discuss specific services or funding mechanisms that might be involved, but according to a source familiar with his budget proposal, they include:

- Diverting low-level offenders to county jails, sending money to local governments to increase jail space or for rehabilitation programs.
- Eliminating the Division of Juvenile Justice, instead sending money to local governments to house juvenile offenders.
- Eliminating hundreds of local redevelopment agencies, eventually redirecting tax revenue they receive to counties and schools.
- Reducing the number of services local governments are required to provide and perhaps giving them greater latitude to raise revenue to pay for them.

Asked specifically about affording counties more authority to raise taxes, Brown said, "I think we're first of all going to give them some responsibility with some funding."

The budget also will include widespread spending reductions and a June ballot measure to extend temporary tax increases on vehicles, sales and income, sources have said. If approved by voters, the revenue from extensions of the vehicle and sales taxes would flow to local government to help finance the restructuring.

Local officials have long complained that shifts in service responsibilities are not accompanied by adequate funding. But on Tuesday, they were smitten.

"Just the fact that he is holding this meeting with us ... and asked to have it here at our headquarters, means that we're going to have a very long, lasting relationship with this governor," said Riverside County Supervisor John Tavaglione, president of the California State Association of Counties.

Following the private meeting between Brown and county officials, Yolo County Supervisor Mike McGowan said Brown adequately addressed fears by local agencies that they would be saddled with unfunded mandates.

"He understands that that doesn't work for us," McGowan said.

He and Tavaglione said counties could provide some services more efficiently than the state. However, in the current budget climate, McGowan said, services will suffer, regardless.

"We'll be providing less service, and we'll have less revenues, is essentially what it's going to amount to in the long run," he said.

Brown said the plan constitutes a rewiring of government.

"There will be controversies, and the details will take some weeks in many cases, but months in others, and even longer."

Senate President Pro Tem Darrell Steinberg, D-Sacramento, last year advocated a seemingly similar realignment plan, and some legislators sought to make it easier for county residents to tax themselves to fund services.

McGowan said counties will be "partners" with Brown in the endeavor.

"It's different than I've ever experienced," McGowan said. "We didn't have to trot over there like little children and go into the governor's office and get patted on the head and say bad things are going to happen to you. We had an opportunity to have a real dialogue here, and a conversation, and I must say I am very impressed."

Brown might leave room for some disappointment.

Asked about local agencies' funding concerns, Brown said, "Everybody's concerned about everything, and I think when they see the budget they'll have even more concerns."

Washington Post

THE HILL

Ousted Dem on sitting out the 112th: 'There'll be an emptiness'

By Albert Eisele - 01/05/11 07:26 AM ET

He has a new hip along with several other body parts, he's proud of what he accomplished during 18 terms in Congress and he's looking forward to his next career, but Rep. Jim Oberstar (D-Minn.) can't hide the fact that he'll miss being where the action is when the 112th Congress convenes on Wednesday.

"I will find it very difficult to be detached, to be an outside observer of things," the 76-year-old outgoing chairman of the Transportation and Infrastructure Committee said in an interview Tuesday as he prepared to become an ordinary citizen after nearly a half-century in public life, including 36 years as a member and 12 as a staffer.

"I will miss immensely the excitement — for me every day it was the excitement of going to the office," Oberstar said on his last day as a member after casting nearly 21,400 votes. "There was always an agenda for that day, but there was also always the unexpected, things you just never knew what was going to happen. ... There'll be an emptiness, an emptiness."

He added, "I wish I were a part of it. So many people told me it's better not to be in this Congress because it's going to be ugly, it's going to be bitter, but that's when seasoning and experience are needed. I would [relish] the opportunity to counter what I think will be the excesses in this Congress. But that's not going to happen."

Oberstar, the longest-serving member of Congress in Minnesota history, recalled seeking the advice of his mentor, the late Rep. John Blatnik, after succeeding him in January 1975. "I said, 'John' — it was the first time I called him that, it was always 'Mr. Chairman' or 'Boss' — 'let's have lunch and talk things over,' and he said, 'Jim, you know there's a new life out there. There's a blue sky, not those artificial lights, and the bells don't ring.'

"And I thought, 'Oh my goodness, I hope I don't have to do that for a long time.' And I didn't, and it's been such a great feeling of satisfaction and accomplishment. But I'll miss that intensity and purposefulness, that kind of unstructured structure, if you will. No matter what the agenda was, something was going to turn it around each day, and that made each day exciting. So yes, I'll look on the opening of the new Congress with a wistfulness."

Oberstar was one of the most prominent victims of the Republican tsunami of 2010. He was blindsided by a political unknown, Chip Cravaack, a 51-year-old former Navy captain who overcame Oberstar's 4-to-1 cash advantage and captured a seat that had been in Democratic hands since 1947. Oberstar said he hasn't spoken to Cravaack since the election, and made it clear he has no desire to.

Asked if he saw his defeat coming, Oberstar said he told his staff after President Obama's inauguration, " 'The next two years are going to be very difficult, and we're going to have to undertake some very challenging

issues and have some very tough votes like healthcare reform and a stimulus package.' I said, 'These are things I'm prepared to vote for and they'll be controversial, so be prepared, it's going to be a tough year.' But I didn't fully realize how tough it would be."

Oberstar, the first Minnesota Democrat to endorse Obama, said he thinks Obama "did remarkably well" in his first two years, but added, "I think somewhere along the line he lost the message war. I don't know how to evaluate that, but I will say that he was on the trail the latter part of 2009 and then 2010, making the case for job creation and stimulus, and benefits of healthcare reform, and there was the perception and the reality that the needle hadn't moved on unemployment, and that Democrats hadn't turned the country around."

He also credited Senate Minority Leader Mitch McConnell (R-Ky.) with outmaneuvering Obama and congressional Democrats. "I think Obama was playing by Marquess of Queensberry rules and McConnell was using black-belt karate and kicked the daylights out of him. When Mitch McConnell is very brazen about saying his purpose is to deny Barack Obama a second term, then how do you translate that into cooperation?"

Oberstar called the new Speaker, Ohio's John Boehner, "very astute, a pragmatic, hands-on person," but predicted he will have more trouble with his own party than with Democrats. "You have 25 or 30 of the new Republicans who campaigned on opposing everything, that compromise is failure, so you have an incoming group of ideologues for whom purity is more important than governance."

As for his own future, Oberstar said he will be a guest scholar at the Center for Transportation Studies at the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota, and is considering "at least a half-dozen offers" of consulting jobs in the transportation field and in international affairs. But he said he will not be a lobbyist.

Oberstar, who once taught English in Haiti and is the only member of Congress who speaks Creole, said he will continue his involvement in Haiti relief efforts. He said he told former President Clinton, a special envoy to Haiti, " 'I'm available to help in whatever way I can with your mission in Haiti,' and he said, 'We'll call on you.' "

Oberstar concluded the interview by noting that his fellow Minnesota Democrat, former Rep. Martin Sabo, who retired in 2008, "sent me a Christmas card with a note that 'there's life outside the dome.' And he didn't mean the Metrodome."

National Park Service announces fee-free days

By Ed O'Keefe

Washington Post Staff Writer

Wednesday, January 5, 2011; 8:54 PM

Want to visit a National Park this year but don't want to pay the entrance fees? Then plan to visit on any one of 17 days in 2011.

About 147 of the 394 parks and historic sites operated by the National Park Service charge admission fees from \$3 to \$25. Fees will be waived on the weekend of Martin Luther King Jr. Day (Jan. 15-17), National Park Week (April 16-24), the first day of summer (June 21), National Public Lands Day (Sept. 24) and the weekend of Veterans Day (Nov. 11-13), the National Park Service said Wednesday.

Several park concession stands and stores will also offer discounts on those days.

The Park Service has had free days in the past two years as a way of providing cost-friendly vacation options for American families during the economic downturn.

"Our fee-free days will give families many opportunities to enjoy our nation's heritage and natural beauty in meaningful and affordable ways," Interior Secretary Ken Salazar said in a statement Wednesday.

Despite the government's goodwill gesture, the program has yielded no noticeable uptick in visitors, according to 2009 Park Service data. Less than a quarter of parks surveyed reported higher visitor rates and two-thirds of concession and lodging operators asked reported no attributable change in sales on a fee-waiver weekend that summer.

The free weekends cost the agency about \$750,000 to \$1 million in lost revenue each day, officials said.

Mercury News

John Laird's appointment to state's top environmental post draws praise, ire

By Kurtis Alexander - Santa Cruz Sentinel

Posted: 01/05/2011 06:46:55 PM PST

Updated: 01/05/2011 06:48:49 PM PST

Former Santa Cruz legislator John Laird on Wednesday was officially appointed California Secretary for Natural Resources, a widely expected announcement that is evoking joy in environmental circles and striking fear in many Republicans.

As one of Gov. Jerry Brown's cabinet members, Laird, a longtime environmentalist, will coordinate more than two dozen state agencies and commissions, from state parks to water resources, and be at the center of such hot-button issues as water shortages in the Sacramento-San Joaquin Delta, funding for parks and wildlife protection.

Laird, 60, declined to discuss specific policy matters before convening with the new governor. But he said he looks forward to bringing his record of environmental activism as a three-term assemblyman and two-term Santa Cruz mayor to the new job.

"I care about the future of parks and the future of water and the future of fish and game protection and marine protection, and they're all right here," said Laird, a Democrat.

Laird, who was in Sacramento on Wednesday, was in his new office on the 13th floor of the State Resources Building, meeting with his new staff, within minutes of his appointment.

Laird concedes California's \$28 billion deficit will limit the state's environmental progress. But as an expert on government finances - having served as Assembly Budget Committee chair for four years - he expects to make the most of what's available.

"The status of state bonds and the budget is really going to affect some of the things that are in the purview of the Resources Agency," he said, noting, for example, the dip in the number of grants that fund environmental protection and water projects. "It's not going to be easy."

One of the most immediate issues facing Laird and the new administration will be the collapse of the Sacramento-San Joaquin Delta, a central link in the state's water supply. The Legislature expects to put a bond on the 2012 ballot to help combat threats to the delta, but voters have been wary of the cost.

"Everybody has to try to work together to get to a solution and everybody is going to get something in the end," he said of the delta's problems. "That's going to be the challenge, keeping people working together."

A chronically under-funded state park system and a lack of funding for wildlife wardens are other issues facing California's natural resources agencies.

Warner Chabot, chief executive officer of the California League of Conservation Voters, called Brown's choice of Laird "superb."

"This shows that Gov. Brown is trying to balance someone with strong environmental credentials and someone who understands the complexities and the difficulties of the budget process," Chabot said.

Political observers say the appointment underscores Brown's commitment to the environment. Also Tuesday, Brown reappointed Democrat Mary Nichols to chair of the California Air Resources Board. He's expected to appoint a new Secretary of Environmental Protection, another top environmental post, with the anticipated retirement of Linda Adams.

"There are different shades of green within the environmental movement, and Jerry Brown has always been aligned with the greenest," said Thad Kousser, a professor of politics at UC San Diego. "I see Brown taking lots of steps to making sure California stays as the forefront of environmentalism."

This has many Republicans concerned.

"Any notion that Jerry Brown plans to pursue a moderate and centrist course on these issues has just flown out the window," said Ron Nehring, chair of the California Republican Party. "He's reaching to the far left of the far left to fill his administration."

Critics worry that environmental policies of the incoming administration could stifle business and economic recovery, violate individual property rights and run up public spending.

"Now is not the time for more intrusive government," Nehring said.

Representing Santa Cruz and the 27th Assembly District, Laird pushed an agenda of strong environmental protection while in the Legislature. He co-authored California's climate change bill AB32, passed legislation promoting water conservation and established the Sierra Nevada Conservancy, a state agency designed to protect the mountain region.

"He's uniquely qualified, given his legislative experience and his commitment to the environment," said the governor's spokesman Evan Westrup. "He has had a career of commitment to the state's rich natural resources, and we expect him to further that commitment in his new position."

In the job, Laird will earn \$175,000 annually. The position is subject to Senate confirmation.

Laird, who has been teaching at his alma mater UC Santa Cruz, has maintained a condo in Sacramento since he was termed out of the Assembly two years ago. He expects to use this as a base for his the new job.

The Associated Press

Brown: California needs wholesale restructuring

By JULIET WILLIAMS

The Associated Press

Published: Tuesday, January 4, 2011 17:38 PST

SACRAMENTO

As he inherits California's chronic budget problems, Gov. Jerry Brown says he wants to try a new approach to dealing with the state's massive deficits: a broad restructuring of the relationship between the state and local governments.

His proposal would shift many services now offered by the state to cities and counties. California's government has become too centralized and its tax revenue hasn't kept pace with residents' ex

On his first full day on the job, Brown met with county leaders to discuss shifting responsibility for a host of state-run programs. If eventually implemented, such a change would return some of California's government structure to the way it was before voters passed Proposition 13, the landmark property tax revolt, in 1978.

Counties would have greater responsibility for a host of programs that Californians are most closely connected with, including health care, public safety and welfare.

"This will be a complex undertaking to realign jobs, whether it's in foster care or welfare or food stamps, redevelopment," Brown told reporters after meeting with officials at the California State Association of Counties. "We're going to try to redistribute power in a way that's closest to the people, that it makes sense, and that services and the work of government can be delivered in the most effective, transparent way."

The maneuver is one way in which Brown is attempting to address an estimated \$28 billion budget deficit through June 2012. The shortfall comes after several years of budget deficits that have shown the state has a chronic imbalance in revenue and spending.

The governor has said he will ask Californians to decide what services they are willing to give up or pay more for.

The shift to a more centralized state government began when Brown was last governor, when voters in 1978 approved Proposition 13, which rolled back local property taxes and capped annual increases, shifting the financial burden for schools and other services to the state.

"Proposition 13, because it took away the power of counties to tax, for the most part, it sent the decisins up to Sacramento. So we want to redistribute all that," Brown said Tuesday.

Brown acknowledged that many interest groups will be out to protect their own programs, making the discussions controversial and compromise elusive. Tuesday's meeting, while upbeat, did not include specifics about his plans.

For example, it is unclear what would happen to the state agencies and employees who currently oversee many of the programs, although Brown mentioned the goal is to "realign jobs."

County leaders are eager to be part of the conversation, although they repeatedly stressed that they cannot offer programs without adequate funding.

Association President John Tavaglione, a Riverside County supervisor, said counties already deliver many of the services, such as foster care, but face burdensome regulations and mandates from the state about how to do it.

"We know how to provide the programs better. We are the providers of the programs and if we are given the opportunity with less restrictions, less regulation, we know we can be more efficient," Tavaglione said.

Yolo County Supervisor Mike McGowan, the association's first vice president, said the state Legislature and former Gov. Arnold Schwarzenegger never articulated the state's funding priorities.

"It's just like at home you fund to your priorities. If you don't have enough money, then things have to come off the table," McGowan said. "There's been an avoidance of that throughout the state, I think, for many, many years."

McGowan said the funding options include dramatic cuts to services and programs, a statewide tax increase to fund services, or local governments appealing to voters to pay for specific programs.

In a budget proposal that fizzled last summer, Senate President Pro Tem Darrel Steinberg, D-Sacramento, proposed shifting a host of state programs to local control, including moving low-level offenders out of state prisons and into county jails, many of which also are crowded.

The plan also called for local governments to take more responsibility for juvenile parole services, the administration of CalWORKS, the state's welfare-to-work program, and protective services for the elderly.

Steinberg proposed to help counties pay for doing the extra work by making permanent a temporary vehicle tax hike, imposing a new oil tax and delaying corporate tax breaks.

Voters in recent years have repeatedly rejected ballot measures that called for increasing statewide taxes, even temporary ones. In May 2009, they voted down an extension of temporary increases to the sales, income and vehicle taxes.

But they also have shown they are most concerned about what happens in their communities, providing momentum for a legislative effort to make city and county governments more responsible for services.

In November, voters approved Proposition 22, which is intended to keep more money in local governments' hands by restricting the state's ability to borrow from them.

Voters also are much more likely to approve higher taxes locally than on a statewide basis.

An analysis by The Associated Press after last year's June primary found that California voters approved 73 percent of the 60 local revenue measures on ballots in a six-month span, with even those requiring two-thirds majorities faring well.

Still, leaving such decisions up to local voters could lead to a patchwork of services, leaving financially struggling areas with fewer services for residents.

Brown on Tuesday did not address reports that he will balance deep spending cuts in his Jan. 10 budget proposal with a spring special election to extend temporary tax increases.

"I really can't get into any more detail, because we have a very complicated budget that we want you to look at in totality and not just get snippets from me," Brown said.

Brown has said he would not raise taxes without voter approval, but he will need some Republican help to reach the two-thirds legislative vote necessary to place any tax or fee measure on the ballot.

[Back to Article](#)

Jerry Brown should revisit Prop. 13 implementation

Michael Gervais, Dontae Rayford

Sunday, January 2, 2011



When Gov.-elect [Jerry Brown](#) takes office Monday for his third term, Californians will have little interest in what he accomplished 30 years ago when he first served as governor. Instead, constituents anxiously await his plan to save California's runaway budget train from imminent derailment. In what could be one of the finer feats of coming full circle in political history, Brown has an opportunity to correct his shortsighted handling of [Proposition 13's](#) implementation in the summer of 1978.

Brown's campaign hinted at his willingness to revisit Prop. 13. During a debate with Republican candidate [Meg Whitman](#), Brown, asked about the initiative, confidently stated, "There's no sacred cows over the long term." He declared his intention to do the "utmost to return authority and decision-making to the locals." Yet, directly attacking Prop. 13, which strictly limits property tax, is unlikely.

Fortunately, the inability to sack Prop. 13 does not leave Brown without options. He need not look further than the hurried plan that he and legislators concocted in a frenetic response to the initiative's passage. Brown's mission should be to revisit the framework that contributes to the financial pitfalls that ensnare California annually.

The 1978 response had two components:

First, the state emptied its coffers of rainy-day funds and distributed nearly \$5.7 billion worth of relief to cities, counties and special districts. The bailout saved local governments that faced the loss of a main funding source - and an immediate shortfall of \$6 billion - with the initiative's passage.

The second component transformed a one-time bailout into a systematic dependency. The state dictated how property tax revenues were shared among cities, counties and special districts. Per

the Legislature's response, monies are pooled at the county level and distributed across all governmental entities within the county based on a historical funding formula. For example, if prior to Prop. 13 the city of Sausalito in Marin County received 10 percent of property tax funds collected at 2.5 percent of a homeowner's assessed property value, it continues to receive 10 percent of property tax funds collected at the new capped rate of 1 percent set by Prop. 13.

The enactment of Prop. 13, however, led to unintended consequences separate from the initiative itself.

First, local governments struggle to address the changing needs of their residents. The spoon-feeding of local governments prevents local officials from assigning property tax revenues as needed. The loss of local control is amplified by Sacramento's reliance on outdated information. Administering revenue based on needs from 30 years ago does not relate to present demands. For example, in 1978, Orange County received a relatively low share of property tax revenue collected within its borders. If, in 2011, residents wish to increase overall county services, they must do so through alternative means. The result is a greater overall level of taxation; it is easier for a local government to impose special taxes or fees than to reallocate funds to new purposes.

Second, local agencies' reliance on alternative funding sources spurred the "fiscalization" of land use. In efforts to generate revenue, cities and counties zone for retail development rather than new housing because of the value of sales tax. Single-family homes aren't worth what they used to be, at least not in the eyes of municipalities.

Third, taxpayers struggle to understand their tax bills. The state's response complicated the local budget process. Introducing greater clarity would lead to more honest discussions of spending priorities with Californians. Show taxpayers what they pay for and how those revenues affect their communities, and you create a paradigm shift.

With limited options to explore, revisiting the legislative response to Prop. 13 is overdue. Restoring local autonomy is paramount. If that is done correctly, Brown can provide taxpayers greater insight into where their tax dollars go while also making the budget process more efficient. The governor should:

Defund special districts: The state's inclusion of special districts as direct recipients of property tax revenue obscures the budget process for taxpayers and indexes service levels to outdated needs.

Given the potential for special districts to have varied revenue streams (such as fees and service charges), those generating revenue should be stripped of property tax funding. Portions of this

funding could be channeled back to special districts on an as-needed basis by local elected officials.

The flexibility will allow local leaders, and the people they represent, to have greater authority to determine services deserving funds. This would be a positive step for a state in desperate need of more local input and control.

Create regional property tax boards: The state should restore local autonomy over tax allocation by creating regional property tax boards. This leaves in place the property tax cap set by Prop. 13.

Control of the revenue generated, however, would shift from the state to the local level. Orange County would have the option of expanding county services by allocating a greater amount of its tax share to the county government. Regardless of the boundaries of a property tax board - whether county or electoral districts - they should be assembled periodically to reassess funding shares based on the evolving needs of entities in their jurisdiction.

There are no magic bullets in play. Special districts could suffer greatly without guaranteed funding, and regional property tax boards are likely to have internal power struggles. Nevertheless, these options are potentially effective approaches to an age-old dilemma.

The decline of local control and stability caused by Prop. 13's implementation is inefficient, impairs good governance and prevents local governments from responding to the needs and priorities of their jurisdiction. While Prop. 13 might continue undisturbed into perpetuity, the way we live with the measure cannot. Despite the other pressing issues confronting our state, Brown must make revising the implementation of Prop. 13 a priority and restore powers stripped from local agencies during the Dog Days of 1978.

Michael Gervais and Dontae Rayford were participants in the Jesse Marvin Unruh California State Assembly Fellowship in 2007-08. Both took up an interest in California's flawed property tax allocation system. Send your feedback to us through our online form at SFGate.com/chronicle/submissions/#1.

Huffington Post

Time to "Reboot" California: Fixing Our Broken System Is on the Agenda

Nathan Gardels and Nicolas Berggruen

Posted: January 2, 2011 03:36 PM

LOS ANGELES -- California has long been the bellwether for the United States as a whole. Indeed, as the world's eighth-largest economy that is home to Hollywood and Google, this outpost of creativity and innovation has continent-size influence with a cultural resonance that looms large in the global imagination.

Unfortunately, of late, California's role as a bellwether has taken on a decidedly negative cast. Where once Californians dreamed of building a society that matched the magnificence of the state's landscape, in recent years we've settled instead for mountains of debt, disappearing jobs, D+ schools, greater public spending for prisons than higher education, and an outdated, crumbling infrastructure that emerging economies like China put to shame.

Every college freshman, entrepreneur, homeowner, new immigrant or retiree in California has shared the sinking feeling that the future the state was once so famously ahead of is passing them by. Facing daunting deficits after years of political gridlock, California has come in the minds of many to epitomize the crisis of democratic governance spreading across the West from Athens to Washington.

But, true to form as the land where second acts are possible, California seems to have reached the tipping point and is coming back. Once again it is ahead of the curve of the rest of the country.

Despite a recall election and the concerted efforts of political leaders in recent years, Californians have come to realize that the real challenge is not so much replacing elected officials as fixing a system that is itself broken. As a result of this experience, the public is prepared to finally embrace the path of reform.

In the past two years, Californians have voted for open primaries, redistricting by citizen commission and for a simple majority vote on budgets -- all with the aim of ending partisan paralysis in the Legislature. And, by a huge margin, they voted for a clean energy future less dependent on foreign oil by protecting California's landmark climate change law from being overturned by Proposition 23. Though Gov. Arnold Schwarzenegger was not a fan of giving up the two-thirds vote to approve budgets, these other accomplishments will be the enduring legacy of his leadership.

And this is only the beginning. Groups like the Public Policy Institute of California, California Forward and the foundations that support them have plowed the hard ground seeking bipartisan consensus on a range of reforms. That groundbreaking work is now gaining traction as others are joining in and creating a critical mass.

Recently, we added a new set of voices to this growing movement by establishing the Think Long Committee for California, a high-powered group of eminent citizens with broad experience in public

affairs, labor and business. It is financed with an initial \$20 million. We are working closely with PPIC and California Forward.

The nonpartisan committee ranges from two former U.S. secretaries of state, George P. Shultz and Condoleezza Rice, to Clinton economic adviser Laura Tyson; from Eric Schmidt of Google to former Yahoo and Warner Bros. chief Terry Semel; from former Assembly speakers Bob Hertzberg and Willie Brown to former state Treasurer Matt Fong, former UC Regents chair Gerry Parsky, philanthropist Eli Broad, labor leader Maria Elena Durazo and California Community Foundations head Antonia Hernandez. At the first meeting at Google headquarters in October, Schwarzenegger shared the table with Gray Davis, the governor he ousted in the 2003 recall.

The group is advised by two of the most respected minds in Sacramento, Mike Genest and Tim Gage, both former state finance directors.

The aim of the committee, as one participant at the Google meeting put it using a computer metaphor, is to "reboot" California through a series of integrated structural reforms that will help bring the state back to governability.

Onto this fertile terrain now arrives Gov.-elect Jerry Brown with his characteristic attribute of penetrating the facts and telling it like it is. He has pledged to "open up the hood and look at the good, bad and ugly" of a dysfunctional system that has evolved over the decades to lock in spending and lock out revenue, battered further by the worst recession since the Great Depression. He has promised to bluntly ask the people of California what kind of government they want, and what they are willing to pay for, or not.

The bad news is that Brown will find a lot of bad and ugly under the hood, as the state legislative analyst has already warned, with a projected \$28 billion deficit next year and more shortfalls to come. The good news is that, once the gruesome realities sink in to the public, Brown has plenty of allies willing to work with him on proposals to straighten out the mess as we go forward.

It is also encouraging that, on a recent visit to Sacramento, we found a fresh mood of cooperation in the air in our conversations with numerous people ranging from Assembly Republican leader Connie Conway to Angie Wei of the state labor federation.

Everybody wants to "get to yes" instead of "no" by finding ways to pragmatically work together.

Though the Think Long Committee's agenda remains open and evolving, and it will not decide on final recommendations until our series of task force meetings are completed in the early summer, here are some of the ideas being contemplated:

1. The best government -- one that is responsive and accountable -- is the government that is closest to its citizens. To that end, realignment of state and local revenue and responsibilities is key to renovating a system that has become over-centralized in the years since Proposition 13. This is a high priority of Senate leader Darrell Steinberg of Sacramento. It was also a key plank of Brown's campaign platform.

2. With this realignment, and bearing fairness and long-term infrastructure needs in mind, the state should then simplify, broaden and flatten the tax structure in order to tame the revenue volatility of the current system. Economists agree that the most stable tax regime is one that has the broadest base with the lowest rates.

3. The counterpart of revamping the tax system is budget reform that keeps spending within fiscal constraints, including a rainy day fund, pay-go, long-term and performance-based budgeting, sunset laws and curbing mandates on spending not appropriated in a given budget cycle. Too often, bad practices have been followed in good years, depleting any reserve for the next downturn. And, clearly, pension reform is a major issue.

4. Modification of term limits to enhance the accountability, decisiveness and quality of the Legislature. Some on the committee have even proposed a nonpartisan unicameral legislature as a logical step after open primaries and redistricting.

5. Initiative reform that will curb budgeting by the ballot box and make this avenue of public recourse part of building a governing consensus instead of a tool of conflict and an alternative to the Legislature.

6. While being careful to protect our environment, streamlining regulation in order to promote a better business climate and stimulate new job creation.

7. Integrating the long-range perspective into governance though establishing a "Long Term California Strategy Council" that will focus on making California globally competitive, bolstering excellence in education - including a revolving fund for higher education - and building the smart infrastructure of the future.

Change along these lines would shift California toward a modern system of governance that has the capacity for decisive action, would reflect the complexity and diversity of its population and economy, and would be more suited to the challenges and opportunities of the 21st century than the one inherited from the time of ranches and railroad barons.

Above all, that new system of governance must be imbued with a public-interest political culture that replaces the rancor of polarization with the nonpartisan spirit of pragmatism and long-range perspective associated with the great builders of the state in the 1950s and 1960s -- Earl Warren and Pat Brown -- who laid the foundations in the post-World War II era for the prosperity and quality of life that California enjoyed for decades.

If Californians embrace such an approach, we could have a fiscally sound government that can weather the ups and downs of the business cycle and foster the high-wage jobs linked to California's cutting-edge industries from biotech to information technology to clean energy. Upward mobility could be ensured through excellent schools with affordable higher education, accessible to all Californians, that can provide the innovative and highly skilled workers who are key to building competitive new industries. Environmentally friendly, livable cities that use energy and water smartly could be a model for the world.

Despite its current travails, California is rightly known for its entrepreneurial energy and can-do creativity. If that can be turned toward the task of good governance, all Californians will be empowered to get back to the future with the government we all want and deserve.

This article appears in the Sunday, January 2, 2011 edition of the Sacramento Bee.

BAY AREA / Bill to restore wetlands dies

Carolyn Jones

Posted: 12/29/2010 4:00 AM



A \$1 billion bill to restore San Francisco Bay wetlands died in Congress last week, although a local representative vowed to try again next year.

The San Francisco Bay Improvement Act would have funded restoration of more than 23,000 acres of marshes, from San Jose to Suisun Bay that have been destroyed due to levees or salt production over the last century.

Rep. Jackie Speier, D-Hillsborough, said she'll re-introduce the bill in 2011. Sen. Dianne Feinstein had introduced a similar version in the Senate, which also died.

The restoration would have provided habitat for the California clapper rail and other endangered species. Only 1,200 or so clapper rails remain, a century after tens of thousands of the plump waterfowl filled the marshes of San Francisco Bay.

TO: Board Legislative Committee
(Chair Ted Radke, Doug Siden, Ayn Wieskamp and Alternate Beverly Lane)

FROM: Robert E. Doyle, General Manager
Erich Pfuehler, Government Relations, Legislative Affairs Manager

SUBJECT: Board Legislative Committee Meeting

WHEN: Friday, January 21, 2011 12:45 p.m.
Lunch will be served

WHERE: Board Room, Peralta Oaks

Items to be discussed:

I. STATE LEGISLATION/ISSUES

A. NEW

a. **Governor Brown's Budget Proposal**

Governor Jerry Brown released a 2011-12 budget which contains \$26.4 billion in solutions to address a projected \$25.4 billion general fund deficit (plus a \$1 billion reserve). Brown has proposed about \$12.5 billion in program cuts, \$12 billion in taxes and \$1.9 billion in other solutions. A key part of his plan seeks voter approval of a five-year extension of taxes which are set to expire in July or recently expired (the personal income tax increase actually expired at the end of 2010).

The Governor's budget envisions, by March, the Legislature would adopt some of the proposed programmatic changes and authorize two ballot measures for a June special election. The Governor also assumes the actual budget bill will not pass until after the June election.

Brown would ask voters to prolong a 0.25-percentage point surcharge on state income taxes, a 0.5-percentage-point increase in the vehicle license fee, a 1-cent increase in the state sales tax rate and a reduction in the tax credit for dependents, from \$300 to \$99.

In May 2009, voters rejected a two-year extension of the same taxes in a special election called by Gov. Arnold Schwarzenegger. Brown would be asking them to consider a five-year extension. The sales and vehicle taxes would approximately equal the cost of many services Brown hopes to shift to cities and counties. The money raised from the higher income taxes would preserve \$2 billion for schools.

Brown also called for a change in corporate tax law that would generate \$942 million for the state, mostly by raising taxes on businesses whose headquarters are outside California. This provision would not be a part of the June special election, but rather enacted by the legislature.

The Governor would also eliminate "enterprise zone" tax credits, which corporations can use to hire employees in or from blighted areas, saving the state \$581 million annually.

About a dozen functions would be shifted to counties, which would take responsibility for such services as psychiatric hospitals and outpatient mental health treatment. The state's Child Welfare Services, which includes foster care, adoptions and child abuse prevention programs, also would be turned over to counties.

Together, the mental health and child welfare programs now cost the state more than \$3.7 billion, and counties would receive that amount to run them from the sales and vehicle tax extensions. Local officials are concerned the state will not provide them enough funds to carry out the increased responsibilities, particularly once the five-year extension expires.

Counties would have to lock up more nonviolent criminals under the Governor's plan, and Brown has earmarked more than \$740 million for them to house additional prisoners and parolees.

He wants counties to take on some work now done by **state firefighters** as well. That would free the Department of Forestry and Fire Protection from having to respond to an estimated 60,000 medical emergencies each year, and counties would get \$250 million annually to fill the gap. The Board of Forestry will be looking at over 31 million acres of State Responsibility Areas (SRAs) to determine if some of them are in more urbanized areas than when they were originally designated in the 1950s. Responsibility for fire protection and medical emergency response in populated wildland areas will be assumed by local governments. This particular piece could impact the District as many of our properties are SRAs.

While empowering local governments, the Governor would eliminate **redevelopment agencies (RDAs)** which would free up about \$5 billion in local property tax revenue. Immediately upon passage of urgency legislation, RDAs would be prohibited from creating new contracts or obligations. On July 1, 2011, existing RDAs would be disestablished and successor local agencies would be required to use the property tax that RDAs would otherwise have received to retire RDA debts and contractual obligations in accordance with existing payment schedules (estimated to cost \$2.2 billion in 2011-12). The state would then count about \$1.7 billion for the general fund to offset costs for Medi-Cal and trial courts. The bulk of the remaining property tax revenue (\$1.1 billion) would go toward a one-time payment to local governments equal to established "pass-throughs."

Beginning in 2012-13, the amounts remaining after payment of pre-existing RDA debts and contractual obligations will be distributed to cities, counties, **non-enterprise special districts** and K-14 schools in amounts proportionate to their share of the base countywide property tax. The roughly \$50 million which would otherwise be distributed to **enterprise special districts**, will instead be provided to counties.

In 2012, a proposition would be placed on the ballot to amend the Constitution to provide for a 55% voter approval for limited tax increases and bonding against local revenues for development projects such as are currently done by RDAs. Voters in the affected jurisdiction must approve use of their tax revenues for these purposes.

The elimination or re-alignment of RDAs appears to be a tough sell. The business community and California League of Cities have both expressed concern about this provision.

The Governor's proposal also suspends funding for the Williamson Act open space subventions. Specifically, it reverts the \$10 million provided in 2010-11 and provides no funding for 2011-12. No funding was provided in 2009-10 due to a Governor Schwarzenegger veto. Full program funding would require about \$40 million.

Overall, Governor Brown hopes the promise of more local control over services will motivate voters to extend billions of dollars in higher sales, income and vehicle taxes that he says are needed to help pay for them. While legislators have mostly expressed their willingness to make tough choices in this current economic climate, the overall package appears to be a tough sell. If voters rejected the tax increases, Brown said, billions more would have to be cut from the budget.

The Assembly and Senate started the committee hearing process, but the fast-track plan is likely to prove difficult. The Legislative Analyst's Office states the "proposal has merit but faces considerable implementation issues." Democrats have expressed concern about permanently reducing the social safety net with deep cuts in social welfare, health care and higher education. So far, Republicans are opposing the tax proposal. If they continue to balk, Brown may seek an alternative pathway that requires only a simple-majority vote, a prospect that has touched off an intense Capitol debate over whether it would be legally possible. California Labor Federation has so far chosen to state only that the state cannot "sustain a cuts-only budget."

b. **Administration and Committee Appointments**

John Laird – California **Resources Secretary**

State Senator Ellen Corbett – **Senate Majority Leader**, Judiciary, Appropriations, Energy Utilities and Communications, Environmental Quality, Legislative Ethics, Public Employment and Retirement, Labor and Industrial Relations.

State Senator Mark DeSaulnier – **Chair Transportation and Housing**, Labor and Industrial Relations, Budget and Fiscal Review, Elections Reapportionment and Constitutional Amendments, Energy Utilities and Communications.

State Senator Loni Hancock – Chair Public Safety, Education, Elections Reapportionment and Constitutional Amendments, Environmental Quality, Food and Agriculture, Judiciary.

State Assembly Member Susan Bonilla – Budget (Education Subcommittee Chair), Elections and Redistricting, Health, Transportation.

State Assembly Member Joan Buchanan – Budget (State Administration Chair), Accountability and Administrative Review, Education, Transportation, Utilities and Commerce.

State Assembly Member Mary Hayashi – Chair Business Professions and Consumer Protections, Chair Oversight and Performance Evaluation, Health, Insurance.

State Assembly Member Nancy Skinner – **Chair Rules**, Natural Resources, Appropriations, Public Safety, Utilities and Commerce.

State Assembly Member Sandre Swanson – Chair Labor and Employment, Budget, Elections and Redistricting, Utilities and Commerce.

State Assembly Member Bob Wieckowski – Chair Environmental Safety and Toxic Materials, Judiciary, Insurance, Public Employees Retirement and Social Security.

c. **ACA 4** (Blumenfield) Local Government Financing: Voter Approval

Assembly Constitutional Amendment 4 by Assembly Member Bob Blumenfield (D-San Fernando Valley) would change the two-thirds voter-approval requirement for both the ad valorem tax rate and general obligation bonds by cities, counties or special districts to 55% of voters voting on the tax. CSDA was a co-sponsor of a similar bill last year (ACA 9).

Staff Recommendation: Support

B. ISSUES

- a. **State Parks Funding** – Prop 21, the \$18 vehicle licensing fee to pay for state parks, was soundly defeated (42.7% to 57.3%) last November. It performed below the Democratic base in Alameda County, but did pass 56.8% to 43.2%. It failed in Contra Costa County by 46% to 54%. It cleared 50% in only 11 counties (Alpine, Alameda, Marin, Mendocino, Monterey, San Francisco, San Mateo, Santa Clara, Santa Cruz, Sonoma and Yolo). It lost big in L.A. and San Diego Counties. District staff have met with a number of the measure’s proponents, all of whom have expressed their concern over the measure’s failure and a willingness to try again. Assembly Member Jared Huffman has introduced a measure (AB 42) to express the legislature’s intent to fully fund the state park system, but it has no commitment of resources. The Governor’s budget has proposed an \$11 million cut to the state parks budget. District staff will discuss ideas to work with proponents of Prop. 21 and other consultants to see if a mechanism to fund state parks could be placed on the ballot in 2012.
- b. **Reform Efforts** – District staff have been following the efforts of California Forward, the Bay Area Council and now the Think Long Committee. Some of their efforts have indeed been successful (redistricting commission for both state and federal electeds, simply majority votes, and the top two primaries act). While the Bay Area Council has suspended its efforts to call for a Constitutional Convention, billionaire Nicolas Berggruen has pledged a down payment of \$20 million to put together and promote a package of reforms for legislators and voters to consider – including overhauling the tax structure. Berggruen’s group, the Think Long Committee, has consulted with Secretaries of State George Shultz and Condoleezza Rice, former Assembly Speakers Bob Hertzberg and Willie Brown, Clinton economic advisor Laura Tyson, philanthropist and real estate tycoon Eli Broad and Google CEO Eric Schmidt. District staff have learned his group is working closely with Governor Brown and some of the proposals in the Governor’s budget are likely to see support from the Think Long Committee. Given the framing of the \$20 million as a “down payment” and a quote by Berggruen to spend “whatever it takes” to save California, one can conclude the Governor’s initial re-alignment proposal in his budget may just be the tip of the iceberg. District Board Members and staff need to continue to closely track these activities.

2. FEDERAL LEGISLATION / ISSUES

A. NEW

- a. **Federal Budget Cuts / Rescissions** – Prior to adjourning for 2010, Congress passed a continuing resolution to fund the government until March 4th, 2011. At which point, the Republican Majority in the House will take the first stab at developing a funding plan for the foreseeable future. Widespread speculation and statements made by some legislators, claim they want to cut back to 2008 spending levels which could mean that any TIGER grant funds (or any other federal funds) could be rescinded if not obligated. District staff and Advocate Peter Umhofer have expressed this concern to our delegation and other local elected officials on the Metropolitan Transportation Commission (MTC). Senators Feinstein and Boxer will be key in protecting any funds intended for California and staff will continue to work with their staff to protect District revenue.
- b. **Committee Assignments** – As of this writing, Federal Senate and House Committee assignments have not yet been fully flushed out, but District staff will provide a verbal update.

B. ISSUES

- a. **TIGER Grant Process Update** – District staff are still negotiating a term sheet with the federal Department of Transportation. Staff have also communicated with our delegation and MTC Commissioners about project priorities for the \$10.2 million given DoT guidelines.
- b. **San Francisco Bay Restoration Legislation** – At the end of the last Congress, a serious push was made by Senators Feinstein and Boxer to enact legislation to create a long term funding program for Bay restoration efforts. District staff and advocates worked with Senate staff in an effort to pass the bill and ensure the District was eligible to apply under the program. While the legislation failed in the 111th Congress, Senator Feinstein’s staff have informed the District they will reintroduce the bill and specifically state that Special Districts qualify for funding under the program. Through this process, District staff also discovered an EPA grant program, the San Francisco Bay Area Water Quality Improvement Fund, for Bay restoration efforts and are submitting a \$1.5 million application.

3. PUBLIC COMMENTS

4. CORRESPONDENCE AND ARTICLES

- a. “Appropriations: House chairman seen as ally of public lands”, E & E News, January 18, 2011
- b. “Regulations: Obama issues executive order to cut red tape”, E & E News, January 18, 2011
- c. “In bow to political realities, Brown avoids big guns”, Contra Costa Times, January 16, 2011
- d. “Year ahead looms as toughest yet for state budgets”, Associated Press, January 16, 2011
- e. “Dan Walters: Even Brown’s 5-year time frame for rebound may be too rosy”, The Sacramento Bee, January 16, 2011
- f. “Can Jerry Brown get a tax increase?”, SFGate.com, January 16, 2011
- g. “Saint Mary’s College wants a presidential debate”, Contra Costa Times, January 15, 2011
- h. “Veteran East Bay legislator will lose resources committee seat”, Contra Costa Times, January 14, 2011
- i. “Dan Walters: Vote margin on taxes key factor”, Sacbee.com, January 12, 2011
- j. “Nicolas Berggruen wants to fix California budget”, SFGate, January 12, 2011
- k. “Nicolas Berggruen: ‘California is worth saving’”, SFGate.com, January 9, 2011
- l. “Vorderbrueggen: Hercules in political firestorm”, Contra Costa Times, January 8, 2011
- m. “Over three decades, dozens of ballot measure have hampered a budget solution”, Caivn, January 7, 2011
- n. “Appropriations: Feinstein will move to energy subpanel”, E&E News, January 6, 2011
- o. “Editorial: House GOP misreads the mandate of Nov. 2”, Sacramento Bee, January 5, 2011
- p. “Seismic change for California?”, Politico.com, January 5, 2011
- q. “Jerry Brown pitches a shift to local governments”, Sacramento Bee, January 5, 2011
- r. “Ousted Dem on sitting out the 112th: ‘There’ll be an emptiness’”, The Hill, January 5, 2011
- s. “National Park Service announces fee-free days”, Washington Post, January 5, 2011
- t. “John Laird’s appointment to state’s top environmental post draws, ire”, Mercury News, January 5, 2011
- u. “Brown: California needs wholesale restructuring”, The Associate Press, January 4, 2011
- v. “Prop. 13 in urgent need of retrofit”, January 2, 2011, San Francisco Chronicle
- w. “Time to ‘Reboot’ California: fixing our broken system is on the agenda”, Huffington Post, January 2, 2011
- x. “Bill to restore wetlands dies”, SF Gate.com, Dec. 29, 2010